



FORMS OF PUBLIC CONTROL  
AND OWNERSHIP

4



# FORMS OF PUBLIC CONTROL AND OWNERSHIP

*By*

EDWARD GOODMAN



LONDON  
CHRISTOPHERS  
22 BERNERS STREET, W.1

MELBOURNE : SYDNEY : WELLINGTON : CAPE TOWN : TORONTO

*Depot.*

*First published 1931*

## PREFACE

**T**HIS book traces the development of State control over certain sectors of industry from the days of the first public utility legislation in 1832, to the nationalization measures of 1945-9. It will also show the origins of the Public Corporation, and describe a number of related bodies such as Rate-fixing Tribunals, Development Councils and Statutory Commissions that have been established to supervise industries of particular national importance.

Although such an approach might suggest at first sight a history of the public utility industries and of public corporations, this has not been my aim. That aim has been rather to describe briefly the different forms of public control and ownership. Further, without taking sides, I have tried to assess their respective merits and fields of application. I have also drawn attention to the intellectual and political influences which appear to me to have been responsible for particular developments and for the preferences exhibited at particular times for one type of control over others. These institutions are not merely the fruits of technical development but rather of the actions of thinking people taking advantage of technical developments to achieve the ends they favour.

Because I have tried to be objective, I have pointed

## PREFACE

few conclusions and indulged in a minimum of controversy. Nevertheless I hope the reader will himself come to some conclusions and thus equip himself to take part in formulating a relevant philosophy or moral outlook which in the years to come will determine the course of developments in this important field of industry and of State activity. In the final chapters I have suggested some immediate changes, and sketched a possible line of future development.

No writer, however impartial he may try to be, can help selecting those facts which he thinks are important according to his standard of values. I should therefore state what values I have considered to be fundamental in relation to the subject matter of this book. They can be identified in the briefest possible terms, as the values proclaimed by the traditional schools of liberal and Christian political thought. These two schools are to-day less closely associated than they used to be. What they have in common is a certain optimism concerning man as a creature. They are defiant in the face of the "inevitable" laws of social development and hold that men should be free to determine their own relationships with one another, according to their needs and preferences. This means that all forms of organizations, and in particular economic organizations, should be adapted to the varied needs of different men and women. Organizations should be the means of harmonious human development, not ends in themselves.

I claim, therefore, that the value of this summary study is that it shows those concerned the vital materials

## PREFACE

available for building new forms of organization or for adapting and modifying those that exist. This country has attained leadership and influence mainly through the wisdom it has displayed in this very field of institution-building; wisdom inspired throughout by the Christian and liberal values to which I have referred. Upholders of these values tend to be on the defensive, feeling perhaps that they have only limited applicability in a world of exceptional change and potential violence. Surely, however, a positive—indeed an aggressive—attitude is the more realistic.

If ever my own faith in such values was in danger of waning, the research work devoted to this study has rekindled it. I now see clearly that the crucial problem of large-scale industrial economy is not the conflict between socialism and capitalism but the reorganization of each industry, so that goodwill, initiative and a sense of responsibility are at the maximum. There are many lines of approach to this problem, but few who are in a position to recognize them will deny that its significance altogether exceeds that of the older cut-and-dried issue of whether big business should be publicly or privately owned.

The present book deals only with the forms of public control and of publicly owned industry. Some day, however, I hope to deal at greater length with the topics indicated in my last chapter. I hope, that is to say, to identify and evaluate the respective advantages of large-scale and small-scale organizations; and also to explore the possibility of combining these advantages



## PREFACE

by assigning to central agencies only those functions which experience has shown to be most usefully concentrated at headquarters, while leaving the actual units of enterprise small. If the present triangular conflict between capitalism, socialism and communism is to be resolved, I am sure it will be by way of some such approach; first an objective examination of the economic facts, then the use of the knowledge thus obtained to satisfy the needs and harmonize the relationships of ordinary people.

I wish to acknowledge the considerable assistance given to me by Mrs. Honor Croome, both in advising me on the shape of this book and in going to great pains to make my written work more understandable; to Mr. P. J. Saynor for collecting and assembling much of the material, especially for the middle chapters; and to Mr. W. J. Prichard of Leeds University who made available his thesis on Development Councils which I used in preparing the section on Working Parties.

I should like to thank numerous other friends who have discussed these problems with me; and to ask their forbearance for a first book dealing with so small a part of the large field over which our thoughts and efforts have ranged.

I also wish to acknowledge the generosity of my co-trustees of the Joseph Rowntree Social Service Trust in making the research work possible and the courtesy of the Trustees of the Acton Society for permission to reproduce the organization charts in the Appendix.

E.G.

# CONTENTS

INTRODUCTION	<i>page</i> 11
I. THE GROWTH OF STATE CONTROL	15
II. PUBLIC UTILITIES	23
III. THE PUBLIC CORPORATIONS	40
IV. NATIONALIZED INDUSTRY AFTER 1945	51
V. OTHER AGENCIES OF CONTROL	61
VI. PROBLEMS OF NATIONALIZATION	85
VII. PRINCIPLES AND POLICIES	95
VIII. THE FUTURE	103
APPENDIX 1: LIST OF ORGANIZATIONS	111
APPENDIX 2: SCHEMES OF ADMINISTRATION	115
BIBLIOGRAPHY	137
INDEX	141

interrelated sets of causes—intellectual on the one hand, technical on the other. Control has been imposed as a rule because of a belief that it would serve the common good; but notions of what the “common good” consists in depend on the predominant political philosophy—whiggery, philosophical radicalism, liberalism, collectivism—while changes in the typical character of industry, from small local undertakings to nation-wide monopolies, alter the data of the problem which that philosophy illuminates.

The study of forms of control is thus a study of the action and interaction of political ideas and technical forces. In the nineteenth century, the important interaction is that between philosophical radicalism and liberalism on the one hand and the growth of local and “fixed route” monopolies (gas, water, railways) on the other; in the twentieth century it is that between socialism and the technical forces making for large-scale operation of industry. For all that economists can say, these latter forces are still very imperfectly understood; and the same can be said of the opposing forces, perhaps as strong, making for decentralized units of production. Here is a serious gap in the armoury of social knowledge; for only a full understanding of what can most compendiously be called the “problems of scale” justifies a confident judgement as to the most suitable form of control. A series of special studies, in which the author is co-operating, will examine these problems in detail, whether they arise in nationalized industries, in monopolies, or in small businesses. The

## INTRODUCTION

present study is historical, and descriptive rather than prescriptive, dealing with forms of public ownership and control as they have been and are; it indicates weaknesses and merits revealed by experience and endeavours to draw from the evidence conclusions as to the suitability of each form for particular purposes.

It is necessarily a partial study. It deals with those forms of public control which have been conceived of as permanent and exercised through special institutions; not with the myriad "controls" established as temporary emergency measures during two world wars and subsequently either jettisoned or kept in being from year to year for essentially emergency reasons. Specifically, it does not refer either to D.O.R.A. or to the Supplies and Services Act. Nor is it concerned with purely fiscal measures, with Customs, Excise, and Purchase Tax, though these have proved powerful instruments of economic direction; nor, as in strict logic it might have done, does it deal with the whole apparatus of protective State intervention on behalf of consumers and workers, from Factory Acts to Pure Food and Drugs Acts. Between "State intervention" and "public control" the logical distinction or frontier line may be hard to draw; it has been so drawn here as to exclude topics already dealt with by others.



# FORMS OF PUBLIC CONTROL AND OWNERSHIP

## CHAPTER I

### THE GROWTH OF STATE CONTROL

THE nineteenth century in England is habitually *thought of as an age dominated by the idea of economic freedom*; the economic theories of Adam Smith and the political theories of Jeremy Bentham enjoyed an intellectual predominance and a practical influence probably never equalled by that of any other system. Yet during that same nineteenth century there also developed, in field after field of the economy, the idea of political regulation in the public interest. To explain this apparent contradiction is to analyse the forces which contributed to the development of political liberalism; for what happened was essentially a supersession of the "natural law" theories of whig political philosophy by the "positive law" theories of the early radicals. To the whigs, as to many important schools of political thought before them, law was something pre-existing in nature which it was the business of governments to elucidate, codify and

apply to changing circumstances; to the radicals, it was the creature of government itself. Political thinkers turned to scientific ways of thought in order to achieve ends which—though recognized as desirable—had been hitherto considered beyond the direction of human hands; while at the same time the technological advances of the Industrial Revolution and the concurrent improvements in the techniques of administration made it practicable for Liberal statesmen to legislate for the welfare of the individual in the community. It was no longer the part of necessity and of wisdom, so current political theory ran, to leave the individual entirely to the caprices of nature and to the winds of fate and circumstance. The scientific method not merely should be, but could be, applied to politics and legislation.

The particular genius of English nineteenth-century statesmen can be credited with their success in developing a practical philosophy of government which restricted the interference of the State to those instances where it was necessary and beneficial. They were, however, fortunate in escaping the most vexatious of the perplexities which trouble us to-day. They had far fewer doubts as to what actions were beneficial and what were not. They were able to advocate controls which were, both in kind and in form, consistent with their implicit and unquestioned judgments concerning what was indeed the good of the individual. Their positive law preferences were securely tied to those old moral preferences which had always underlain the

natural law. They used the sciences of law-making and administration to achieve ends whose desirability, needing no scientific proof, was ingrained in their consciences and felt in their bones.

As readers of Adam Smith and Jeremy Bentham know, neither prophet advocated in principle abstention by the State from action in either the political or the economic field. It was because so little was known of economic forces that Smith pleaded for non-interference, much as, in an age of almost total medical ignorance, one might plead on behalf of the recuperative power of nature against purges, bleedings, or magic draughts. When more was known, or if it could be shown that intervention would in fact achieve the desired end, neither Smith nor his disciples would object. Outside the economic field the radicals were foremost among the pioneers of intervention. In fact, believing that politics was an exact science, they erred to the other extreme and made themselves laughable by elaborate schemes to procure exact measures of human happiness by legislative action. On the basis of these principles it was easy for nineteenth-century Liberals to justify the types of control which they initiated.

In the twentieth century the dominant political outlook which was responsible for the extension of the State's role in economic affairs had no such consistent and unquestioned moral roots. Different forms of control, and State ownership itself, were favoured for their own sakes rather than as convenient instruments for furthering a generally accepted moral purpose. Both



Conservative and Labour Parties adopted collectivism as a policy of expediency, as an umbrella to shelter those whose sectional claims they endeavoured to further. This is not to say that English collectivism was without moral qualities. Its exponents could truthfully claim that its object was to apply the science of law-making and administration to the building of new economic institutions which would not merely avoid the anti-libertarian excesses of communism and corporativism, but also provide the individual with a reasonable insurance policy against unregulated economic forces.

It remains true, however, that such measures were advocated for a host of different reasons. Some supporters wished to substitute a "service motive" for the financial incentives of entrepreneurship in the basic industries, some to achieve workers' control, some to abolish competition, some to secure the benefits of centralization, others to do away with rewards to private capital, others to prepare the ground for economic planning, and yet others to substitute the open, public-spirited operation of monopolies and quasi-monopolies for their private, secret and mercenary operation. Few of these motives deserve to be sneered at; on the contrary, they deserve respect and close study. None the less, they lack an underlying and unifying moral purpose such as guided the Philosophical Radicals, the Liberals, and to some extent the early Fabians. This lack explains some of the inconsistencies in the forms of twentieth-century public control; and

the study of these inconsistencies in the light of the various motives underlying them may, it is hoped, yield a criterion by which to judge existing institutions and to make constructive proposals, in the interests both of workers and of consumers, for improved forms of control. It seems likely that only such an approach as this can enable governments to recast economic institutions in ways that will avoid the evils of the rival systems of communism and capitalism, and at the same time give positive expression to liberal and Christian values of social justice and individual freedom.

The matters which follow may be made easier for the reader by preliminary classification and definition of the institutions surveyed and a broad indication of the order in which they developed. These institutions are:

### I. *Public Utility Bodies*

Independent bodies, usually established by statute to operate gas, water, electricity, canal, tramway or railway undertakings; under statutory obligations with regard to the price and quality of their services and also with regard to safety and other measures for the protection of the public; supervised by a Government Department for the due performance of their obligations. They comprised:

(a) *Public Utility Companies*, the capital of which was subscribed by private stock or shareholders who appointed the directors; dividends were usually controlled.

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

(b) *Public Utility Authorities*, owned and operated by Municipal or Urban or Rural District Councils, who appointed the management; capital borrowed at fixed rates of interest, either independently or through the responsible council.

### 2. *Representative Trusts*

*Ad hoc* bodies usually established by statute to manage a local undertaking such as a dock or harbour (e.g. Port of London Authority, Mersey Dock and Harbour Board). Boards of Management representative of users of the service and/or of local authorities; capital borrowed at fixed rates of interest.

### 3. *Quasi-Judicial and Supervisory Commissions; Rate-fixing Tribunals*

Such as Electricity Commission, Sugar Commission, Railway Rates Tribunal (now the Transport Tribunal).

### 4. *Public Corporations*

Public bodies with their own capital, created by statute to provide a commercial service for the national benefit; responsible for their conduct to Parliament but free from day-to-day ministerial control; directed by a Board appointed either by the Crown or by a Minister. The statute creating a Public Corporation corresponds to the memorandum of the Articles of Association of a limited liability company. General directive: to provide most efficient service compatible with the public good, balancing accounts over a term of years but without obligation to show a profit in any one year.

Money is borrowed at fixed rates of interest; there are no shareholders. Public Corporations may be distinguished as:

(a) *Dependent Corporations*, whose services, not being self-financing, are subsidized by the State (e.g. Forestry Commission, B.O.A.C.).

(b) *Self-financing Corporations*, whose revenue from operations, over a term of years, covers the cost of those operations and the service of their loans.

#### 5. *Development Councils*

Tri-partite advisory and research bodies set up, under the Industrial Organization and Development Act of 1947, in industries held to require central co-ordination for successful development.

#### 6. *Finance Corporations*

Mainly the Finance Corporation for Industry and the Industrial and Commercial Finance Corporation, established to provide finance for firms unable to raise sufficient capital through the normal channels.

What we now call Public Utility Control began very light-mindedly, about 1840, in the form of measures affecting canals, railways, gas and water. Tramways were brought within its scope in the eighteen-sixties and electricity in the eighteen-eighties. Ports and harbours and water came under a different type of control, the supervision of the Representative Trust, whose principles were embodied in the Metropolitan Water

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

Board in 1902 and the Port of London Authority in 1908. Postal services remained a Government concern throughout. No other industries (except telegraph and telephone communication, under the Post Office) were publicly owned or controlled until after the first world war; between then and the outbreak of the second world war came the establishment of such institutions as the Forestry Commission in 1919, the Electricity Commission (a supervisory body) in 1920, the British Broadcasting Corporation (first of the Public Corporations) and the Central Electricity Board in 1927, the London Passenger Transport Board in 1933, the Race Course Betting Control Board (supervisory) in 1934, the Sugar Corporation and its supervising agency, the Sugar Commission, in 1936, and the B.O.A.C. in 1939. During the war there were established the War Damage Commission, the Cotton Board and the North of Scotland Hydro-Electric Board. There followed after 1945 the extensive socialization measures of the Labour Government. The Electricity Commissioners and the C.E.B. were replaced by the British Electricity Authority: the Bank of England and the Cable & Wireless Company were nationalized. The Coal Board, the Transport Commission, the three Airways Corporations and the Gas Council and Area Boards, besides a number of smaller bodies including the New Town Corporations, were brought into being; and new experiments in public control were introduced such as the Development Councils and the Finance Corporations.

## CHAPTER II

### PUBLIC UTILITIES

**B**EFORE Peel's first Companies Act in 1844 it was virtually impossible to form a joint stockholding enterprise without promoting a special Act of Parliament; an expensive procedure, only resorted to by concerns requiring substantial capital. Railway, gas and water undertakings naturally fell, as a rule, into this category and so had no alternative but to apply for a private Act which, beside authorizing the purposes of the company, provided some safeguards for the three classes of persons affected by these. The landlord whose land might be compulsorily acquired was assured generous compensation; the stockholder was protected against the watering of capital, and the general public was protected by safety regulations. The question of price and quality was at first left to be settled by the trusted force of competition, which Parliament did everything to encourage amongst railway, gas, and water companies, refusing on many occasions to give any one company the privilege of a local monopoly.

In time this policy proved impracticable. The public became antagonized by the number of companies

digging up the streets to lay their mains, and economists saw that competition could be wasteful if several companies with expensive plant of approximately similar size and capacity competed for the custom which one could fully provide. Generally facts settled arguments. One company in each district alone survived the rigours of competition; the rest went bankrupt, were absorbed by their competitors or came to working arrangements with them. In time Parliament recognized the inevitability of local monopolies and the consequent need to provide for their consumers the protection which competition otherwise would have afforded. When, therefore, the Companies Act was enacted, with its blanket authorization of joint stock organization for all concerns complying with its terms, Public Utility undertakings were excepted; Parliament insisted that they should still require special statutory authority for their establishment—unless, of course, their promoters could secure their objectives without the special powers these Acts conferred. It is these private Acts and the codified General and Consolidated Clauses Acts which provide the history of Public Utility control.

The general theoretical grounds for Public Utility control were first tentatively defined by John Stuart Mill. The arguments he presented were not precise and did little more than justify the extent and degree of control already applied. Even the Fabians at the end of the century presented no clear argument, based upon universal principle, for their "Gas and Water Social-

ism". Their case was utilitarian. Looking back, however, we can now see on both practical and theoretical grounds how justifiable Public Utility control was. The arguments for control are virtually implicit in the very definition of a Public Utility. This is an indispensable industry providing a service which for the moment is necessarily a monopoly, consumed either locally or on a determined route between two points. It may be *indispensable* in that it is a basic industry vital to the national economy or directly to the everyday life of the people; it is *necessarily a monopoly* because to duplicate its fixed equipment, either in the same locality or on the same route between two fixed points, would be a gross and obvious economic waste. Monopolistic position and essential nature; this is the combination calling for control. Without control the undertaker of any Public Utility could, since he is a monopolist, charge extortionate prices if those happened to pay him best; he would not need to keep the standard of his services up to any particular degree of efficiency; he could discriminate among consumers, neglecting the poorer or less accessible. When the undertaker was not a private board of directors but (as became increasingly frequent during the later nineteenth and early twentieth century) a municipality or other local authority, the danger of exploitation might be presumed to be less; but the principle was maintained that such authorities should be subject to the same form of control, when applicable, as statutory companies. They were accountable to a Government Department and



## FORMS OF PUBLIC CONTROL AND OWNERSHIP

had to conform to the general Public Utility regulations.

Public Utility law was concerned with three types of regulation. Firstly, as we have seen, there were safety measures for the benefit of the general public, provisions to protect property owners whose land was compulsorily acquired, and safeguards to protect those who subscribed capital. There were also measures compelling undertakers to supply customers within a given distance of their mains. Secondly, the regulations protected the public by specifying a standard of quality for the services provided. Throughout the nineteenth century the techniques of quality control and of price control were improved. (The two went hand-in-hand, for until the product could be specified and measured price control could not be related to any uniform standard. The Gas Meters Clauses Act of 1871 marked the first real success in achieving such uniformity for gas; railway charges were not satisfactorily regulated until 1892.) Thirdly, regulation protected the consumer against unreasonable charges. Price control of gas was attempted by several methods. At first, maximum permitted prices were incorporated in each Act; later, dividends were limited to 10 per cent. To frustrate evasions the issue of bonus shares was forbidden and it was provided that any new stock should be offered by auction. Later maximum price and dividend were related through the "sliding scale" method of charging, whereby a fractional increase of dividend was permitted for every reduction in the price of a service; and eventually this method was replaced, for

the larger companies, by the "basic price" system. Under this system there were laid down a basic price for gas and a basic dividend which (having regard to the value of money) represented a fair return on invested capital. As the *average* price charged by the company fell below its basic price it was allowed to pay a dividend higher than the basic rate and to distribute a bonus to its employees.

The chief defect of this and of other similar systems of price control was insufficient elasticity. Charges were fixed either when the company first obtained its statutory powers, or when it required fresh capital. Costs of production might fall or rise, yet the maximum or basic price remained the same, and might become totally inoperative. In spite of two world wars most electricity companies were in 1945 charging less than the maximum prices authorized by their special Acts, dating for the most part from between 1890 and 1910.

The relationship between gas and electricity supply, rail and road transport, provides more evidence of the shakiness of statutory price schemes. After 1918 electricity became a keen competitor of the gas industry both domestically and industrially, while the entire structure of the rate-fixing clauses of the 1921 Railway Act was undermined by road competition. It was this competition, not the relevant statutes, which thereafter settled price—and drove it well below the statutory level, thus revealed as uneconomically high. (The railways, charging reduced rates, failed to earn their standard revenue; this was probably due to over-valuation

of capital in the 1921 Act, itself a miscalculation of economic realities.) It is difficult to resist the conclusion that any attempts on these lines to control the prices charged or the dividends earned by a monopoly, represent no more than a conscientious guess at what prices or dividends would emerge were the market competitive.

Nevertheless, the system of public utilities working under statutory control, which lasted approximately 100 years, was not without its benefits. The worst that can be said of it economically is that it lacked the flexibility and realism of a wholly competitive system; serious faults, but deriving from the fact of monopoly rather than the fact of control. Its political advantages are worth pondering. In the first place the administration of control was independent of the actual operation of the monopolies. The administrators—the State—protected the consumer. In the second place, the monopolies concerned were local, not nation-wide. They did not constitute a pressure group or threat to political power. They were relatively small, owned by thousands of shareholders or by local authorities and subject in either case to the same law. Being local, they could adapt themselves to local needs and form a part of the pattern of local life. Finally, if they made mistakes or attempted petty tyrannies, the number of consumers affected was small and the operation of better-run utilities provided a standard of comparison. Each undertaking took its own decisions, while all were watched by a careful and well-informed Department of State.

In the late nineteenth century a new form of statutory undertaking arose: the Representative Trust, whose success did much to pave the way for the idea of the Public Corporation. The most important examples of the Representative Trust are the Port of London Authority and the Metropolitan Water Board, though many other docks and harbours are similarly governed. The Port of London Authority is composed of eighteen elected members, representing the payers of dues, the wharfingers, and the owners of river craft, and ten appointed members, representing the Admiralty, the Ministry of Transport, the London County Council, the City of London, and Trinity House. Thus it is directly representative of the actual consumers of the Port's services. The Metropolitan Water Board, with sixty-six members, is representative of the local authorities in whose areas the Board supplies water, and indirectly through these, of the actual consumers.

The Representative Trust has worked well and is a form of organization deserving more attention than it has received. Its virtues, however, depend on its limitations. Both politically and economically it is an ingenious and practical device for rendering services to a compact and easily identifiable body of consumers whose interests, if not actually identical, are at least parallel or similar; it provides democratic representation of these interests in a way likely to produce the best economic results. Where, however, bodies of consumers are not thus easily identified, compact and organized,

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

and where their interests diverge, these merits disappear. In such circumstances a Representative Trust would necessarily be a political organization, suffering from the besetting defects of such a body and conducting its affairs by debating and committee-room wrangling instead of by the boardroom technique appropriate to the control of a commercial entity.

In certain industries in this country, and to a greater extent in France and Germany, there has evolved an interesting hybrid which can best be described as a "mixed undertaking". The Manchester Ship Canal Company, for example, is jointly owned by Manchester Corporation (11 directors) who may be regarded as representative of the users, and by a private company (10 directors). The Electricity Supply Act of 1919 aimed at fostering similar amalgamations of private and local authorities, under the title of Joint Electricity Authorities; though few of these were actually established. Another example of a joint undertaking is the Sheffield Joint Omnibus Committee.

The period between the wars saw the rise of a new type of controlling organization, devised to supplement the shortcomings of Public Utility regulation. The Electricity Commission set up under the Electricity Supply Act of 1919 and the Sugar Commission appointed in 1936 were something more than watchdogs and less than executive bodies; they were neither Departments of State nor independent commercial boards. The spirit in which they were appointed cannot be better expressed than in the words of the William-

son Report which first proposed the establishment of the Electricity Commissioners: "We are of opinion that the Commissioners should be endowed with very full powers. We feel that their duties should not be confined to framing and administering regulations and deciding questions brought before them, but that they should include the encouragement of the supply and distribution of electricity." The Electricity Commissioners did indeed work in this spirit; and although the compulsory powers with which they were to have been vested were struck out of the 1919 Bill in its passage through Parliament, their achievements were monumental. Bringing technical knowledge and administrative skill patiently to bear on the difficulties of individual companies and authorities, they acquired an influence and authority which immeasurably benefited the entire electricity supply industry. In 1926 their powers were further increased under the Electricity (Supply) Act, which established the Central Electricity Board to erect and supervise the grid system.

The functions of the Railway Rates Tribunal, set up under the 1921 Railways Act, were by contrast purely judicial. This Act amalgamated over 100 companies into the four main line companies which held the field until nationalization. All were over-capitalized, some heavily; but the Act permitted each of the four new companies to issue stock equivalent to the combined stock of the companies they absorbed. Broadly, each company was empowered to earn 5 per cent on this stock—a yield called the Standard Revenue—and the

Railway Rates Tribunal had the duty of agreeing to such rates of charges as would, in the aggregate, earn that revenue.

The Tribunal never had a sound economic basis on which to work. Railway capital had been, in effect, watered; road transport competed strongly; and the Standard Revenue was in fact never earned. Nevertheless it proved itself an efficient and considerate body; like the Electricity Commission, it acquired an unrivalled technical knowledge of the industry it was supervising, and by applying that knowledge brought about a flexibility in charges which was never envisaged in the rigid provisions of the 1921 Act.

Like the Representative Trust, the supervisory Commission and quasi-judicial rate-fixing Tribunal deserve closer study. It is not unlikely that similar organizations could advantageously be established in several of the present nationalized industries.

In the nineteen-thirties attempts were made to achieve more flexible methods of control in other Public Utilities. The larger gas companies obtained powers to charge on a more realistic basis, and further developments on the same lines might have been sanctioned but for the war. The Sugar Act of 1936 provides for an interesting variation of the sliding scale method of relating charges to dividends. The Sugar Corporation's basic rate of dividend, in practice usually between 4 and  $4\frac{1}{2}$  per cent, was fixed annually by the Treasury. To this basic dividend there was added a percentage of any economies made—but a percentage

tailing off from 100 per cent in the first year to zero at the end of a period of up to ten years.

The Public Utility system, amended and supplemented by these supervisory and quasi-judicial bodies, did progressively provide a solution to the problem of controlling local and route monopolies in the public interest. Under suitable conditions, an even better alternative solution was provided by the Representative Trust. From the outbreak of the 1914-18 war, however, success in achieving an effective, realistic and flexible control was overshadowed by a new problem, the twentieth-century problem *par excellence*, that of scale. Victorian legislation had confined gas and electricity monopolies to small areas; the war effort demanded a plentiful, efficient, and nation-wide supply of fuel and power which these small parochial units could not provide. Enquiry, legislation, and executive action were brought to bear on this deficiency in the post-war period, notably in the setting up of the Electricity Commission and the inauguration of the Grid; but in both electricity and gas distribution the hard core of the problem remained.

It is tempting but wrong to see this problem as one of vested interests frustrating a commonsense solution accepted by informed opinion. "Vested interests"—from local authorities to small shareholders—did indeed seriously complicate the problem; but that problem existed independently of their influence. On the one hand there were obvious and important benefits to be won by concentrating existing gas and electricity



undertakings and probably also existing tramways, omnibus companies, and railway systems. Capital could be more easily and cheaply raised, long-term investments more smoothly planned, research work and purchases co-ordinated, equipment and charging practices standardized, skilled management and key technical men put to more profitable use. On the other hand, to break up or melt down the local structure was to forfeit very real advantages, both economic and political. As was pointed out in the McGowan Report on Electricity Distribution (1936), electricity distribution is essentially a matter of retail salesmanship. Decisions need to be taken on the spot; so does action on complaints and requests. The needs of districts vary, calling for local knowledge and close contact; and old traditions of service are not discarded without loss.

There were many other arguments on both sides; and these remain valid. The problem has not become academic merely because the Public Utility system has been superseded by nationalization; it has, on the contrary, become more vital. Nationalization has insulated the utility industries yet further from the economic forces which previously revealed any weakness in their structure or policy, and it has become correspondingly more important to solve the economic and political problems of scale and monopoly to which by their very nature, and irrespective of who owns them, they give rise.

During the nineteen-thirties the attack on the problems of scale was unsystematic and fragmentary, a mat-

ter of the interplay of circumstances and vested interests. The main obstacle to territorial amalgamation<sup>8</sup> under a strong local authority or statutory company lay in the power of the local authorities themselves, given to them by Parliament under the early Private Electricity Acts. Not merely did they own one-third of the gas undertakings, four-fifths of the water undertakings and two-thirds of the electricity distribution undertakings, but almost every electricity distribution undertaking owned by a statutory company was subject to a local authority's option to purchase on the expiry of a certain term of years—21 or 42—from the original Parliamentary grant of powers. Thus if two companies in adjoining districts were to amalgamate they might face the future possibility of having the organization broken into fragments when not two but possibly five or six local authorities exercised their options.

The Electricity Commissioners were able temporarily to stop this destructive use of the option, and holding companies made substantial headway in both gas and electricity industries. But amalgamations were generally haphazard and motivated less by technical advantage than by the financial economies derived from the more solid financial standing of a single large firm. Amalgamations of contiguous units, from which economies in management and distribution might have resulted, were fewer.

Another feature of the same problem was the lack of standardization between the separate undertakings. The McGowan Committee (1936) showed that there

were 635 undertakings (373 local authorities and 262 statutory companies) supplying electricity. Two hundred and eighty-two undertakings supplied only alternating current, 283 supplied both alternating and direct current, and 77 supplied only direct. There were as many as 43 different declared voltages ranging between 100 and 480 volts. There was a similar lack of uniformity in methods of charging.

To bring about the advantages of economically right scale, to cut through the tangle of vested interests obstructing the achievements of right scale, was one of the chief objects of the post-1945 nationalization measures. It is hard to see what other speedy method lay to hand for reorganizing the public utilities than the breaking down of the old outgrown and obstructive pattern of ownership and management. The breaking-down, however, could only rightly be regarded as a preliminary; what the right scale, the right form, and the right internal and external relationships of the affected industries might be was a question not to be answered automatically by nationalization. It might be said that the nationalization measures were analogous to putting chronically invalid patients into hospital for observation and subsequent treatment. However necessary this may be, it does not follow that the treatment is predetermined, that it should be the same in every case, and that the hospital should be their permanent home.

So far we have only dealt with the problems of the Public Utility industries in the inter-war years. That is

because they have the longest history of public control. Before, however, going on to describe the Public Corporation, there is one other industry whose problems should be briefly mentioned. That is coal, the first industry to be nationalized after the war.

It was the industry facing the most intractable problems. It had many of the same difficulties as the Public Utilities, but they were accentuated. For example, there were no less than 746 separate undertakings and it proved utterly impossible to overcome the parochialism of the individualistic mine owner and to achieve any of the economies of scale. There was, however, no system of statutory control and although the Coal Mines Reorganization Commission had been appointed in 1930 to bring about amalgamation, it had achieved little and had certainly proved less successful than the Electricity Commissioners in their field. Moreover, coal had a problem specially its own—an appalling history of industrial relations, of unemployment and bad working conditions. Wages had fallen both after the war and again at the time of the attempt at a policy of general deflation in preparation for a return to the Gold Standard. This aspect of its problems, including the General Strike of 1926, is too well known to need further recapitulation.

The biggest single problem of the coal industry was capital deficiency. Since the end of the 1914-18 war when it had been handed back to private operation, there was an excess capacity usually estimated at 50 million tons a year. Foreign competition was acute. It

was nearly impossible to raise new capital and hence the process of re-equipping the mines with up-to-date machinery was slow. It was not possible to rationalize the industry by reducing the number of pits, and, through modernization, to raise the productivity. (The cotton industry had a very similar inter-war experience.) The plight of coal in Britain is best illustrated by some figures. Output per man shift in British mines rose from 100 in 1918 to 113 by 1939. In Poland the rise was from 100 to 159 and in the Netherlands from 100 to 200.

In the second world war this state of affairs came to a head. The Reid Report of 1945 showed how completely out of date technically the industry was and how desperate was the need for new methods and new machinery. This would involve the expenditure of vast sums of capital. It was coal more than any other industry which made nationalization seem inevitable; not only Socialists but also Liberals and most Conservatives saw nationalization as the only solution.

This, Socialists say, is confirmed by the recent publication of the Coal Board's "National Plan" which proposes to pay nearly 500 million pounds between 1950 and 1963 in modernizing the industry. How could such a sum have been found under conditions of private ownership? (The British Electricity Authority contemplates spending 300 millions.)

This assumption may be queried, as may be the wholesale assumption that public ownership of all Public Utilities is the only means of remedying the

deficiencies of public control manifested between the wars. Although the public control existing before the last war was inadequate it is not necessary for the Government to operate the pits merely to provide the amount of necessary capital. This argument has not been used in regard to cotton, and the various finance corporations have succeeded in finding capital for other industries without nationalization. Nor is it plain because 746 separate undertakings were too many, that one gigantic undertaking is necessarily the answer. Informed opinion, both before and after the last war, has favoured several separate State-controlled units of ownership.

The conclusive argument for State ownership of coal rested upon the hopeless state of labour relations and it is difficult to imagine any other solution in this case, but the example of coal should not be used to urge nationalization simply as the only solution to a shortage of capital. Still less does it follow that one Public Corporation controlling operations from the centre is the only and the right approach.

## CHAPTER III

### THE PUBLIC CORPORATIONS

THE body which since 1919 has been the chosen instrument for the administration of publicly owned industrial undertakings, and which is now responsible for the organization of the nationalized industries, is of course the Public Corporation. This accordingly needs particularly close study. In a sense, its roots lie considerably farther back than those of the Joint Stock Company; for the corporation in its various forms is one of the legacies of the Middle Ages, when such corporate bodies as Universities, Guilds and Cities enjoyed a measure of autonomy. Through the sixteenth, seventeenth and eighteenth centuries the idea of the corporation survived and developed in various forms, influencing such bodies as the Improvement Commissioners and the Turnpike Trusts. More recently, one can trace a derivation from the Representative Trust, the Ecclesiastical and the Charity Commissions and the Road Board of 1909.

When, at the end of the 1914-18 war, public attention was first seriously concerned with the form of control best suited to any industries which might in

future be State-owned, the initial impulse was away from the autonomous public body and towards direct departmental control. The Minister of Reconstruction appointed several committees of experts, one of which was the Haldane Committee on the Machinery of Government, to report on post-war problems. The report of this committee unequivocally condemned the administrative Board, following in this respect the criticisms expressed earlier by the Royal Commission on the Civil Service. The system of such Boards, it reported, "is less effective in securing responsibility for official action and advice than the system followed in the departments. Far from thinking that the importance of a service to the community is *prima facie* a reason for making those who administer it immune from Parliamentary criticism, all such proposals should be carefully scrutinized . . . there should be no omissions of those safeguards which ministerial responsibility alone can provide."

The Committee on the Machinery of Government, in short, favoured direct management of each nationalized industry by the appropriate Department of State. At the same time, however, another committee, appointed with narrower terms of reference, was reaching a precisely opposite conclusion. This was the Acland Committee on Forestry, which advised against forestry services being undertaken by a Government Department and in favour of establishing an independent forestry authority. The contradiction between these views and those of the Haldane Committee did not



arise from *a priori* attitudes nor from sheer cussedness, but from the Acland Committee's clearer view of the needs of a specific kind of economic activity—forestry—the possible damage to which by political pressures was particularly obvious.

The Acland Report is in fact one of the clearest statements of the case for independent Boards. For example, "A considerable element of independence is almost as important in the forestry authority as unity of direction and control . . . forestry policy must be uniform for generations . . . the afforestation policy of the State, once embarked upon, should be as little as possible liable to be disturbed by political changes." The Committee did not indeed advocate complete divorce from Parliamentary control. "The Commission should be represented by a Commissioner in the House of Commons, appointed by the Government of the day in the same way as the Parliamentary Ecclesiastical and Charity Commissioners"—that is, by an unpaid Commissioner who could answer questions in the House. Since the Forestry Commissioners would be in receipt of public funds, there should be an annual opportunity for the Parliamentary Commissioner to give in Parliament an account of the work done and a forecast of expenditure in the coming year. Once, however, Parliament had adopted a policy of afforestation, no further decisions should be taken by politicians, "and if grievances and difficulties arise they should be adjusted in an atmosphere in which forestry policy, and not political expediency, is the deciding factor". Unfor-

tunately not all the Acland Committee's recommendations were heeded and in the event the Forestry Commission's financial dependence on Parliament subjected its policy and programme to a good deal of that political interference which the Committee had tried to avert.

Here, then, were the two opposing points of view concerning the authority which should control State commercial activities; should it be independent, or should it be a Department of State? The opposition was resolved in practice by the gradual growth of the Public Corporation, an independent body with a difference, bearing a unique relationship to a responsible department. The precise nature of that relationship is still, to-day, in process of being determined by practical trial and error and compromise.

It was in 1927 that the two most genuine prototypes of the modern Public Corporation were established; the British Broadcasting Corporation and the Central Electricity Board. In each case the Government acted on the report of an *ad hoc* Committee of enquiry. The Crawford Committee on Broadcasting (1925) had recommended the establishment of an "independent commission" (later named Corporation), arguing that a Ministry of State would not have the flexibility which the service required. It urged that though "Parliament must retain the right of ultimate control" the Commission should "be invested with the maximum freedom which Parliament is prepared to concede". This, though rather vague, perhaps represents the most satis-

factory formula to express the difficult relationship between the independent Board and a sovereign Parliament whose special responsibility it is to ensure that the power of monopoly established by statute is used for the public good. When the Weir Committee reported in 1925 on the desirability of a grid system for electricity it merely recommended the establishment of a Public Corporation for the purpose, making no attempt to define the term or advise on its interpretation. One may say, in fact, that by 1925 the Public Corporation had achieved the status of an accepted idea.

Mr. Herbert Morrison, in his *Socialization and Transport*, tells how when in 1929 he came to the task of drafting the London Passenger Transport Bill he turned to the public corporation as "most likely to be consistent with socialist principles and with practical success". This decision marks the abandonment by the hard-headed school of British socialism of the conceptions of the Haldane Committee. This change is the more significant since Beatrice Webb as well as Lord Haldane had made substantial contributions to the formation of these conceptions.

Mr. Morrison preferred the Public Board to the Department of State because, although the controlling body of a socialized industry should be public and should feel a responsibility to the nation, it should also "have autonomy and freedom of business management"—except in such matters as the raising of new capital, where the sanction of the appropriate Minister or of the Treasury would be required. The duties of

## THE PUBLIC CORPORATIONS

the Minister, in the system envisaged by Mr. Morrison, should be minor and limited. He should have no statutory right to interfere, but should exercise any influence on policy by informal and cordial contact with the Board. He should answer questions in Parliament *about* the Board, but not *for* it; he should have the right to ask the Board for information, and the Board should publish reports of its activities. Independence, in fact, should not mean complete detachment or irresponsibility. Mr. Morrison rejected, however, both the Department of State and the joint Board of Local Authorities as the potential organ of control for nationalized undertakings. The former, he contended, would lead to inefficiency—Civil Servants not being suited to business management—to an intolerable overloading of the machinery of government, and to undesirable political influence. The latter would suffer from the same defects and, in addition, from the predominance on such bodies of parochial interests, leading either to lack of authority or, if freedom of action were conceded, to lack of public accountability.

The idea of the Public Corporation, already accepted in principle, was in fact taking on a firm outline. It should be a public body; one, that is, whose Board and staff were impelled by motives of public service and not private gain. It should be an independent body; fettered neither to the Government of the day, nor to a State Department, nor, since its capital carried no voting or ownership rights in the undertaking, to a particular group of shareholders. It should be a func-

tionally constituted body; having a clearly defined and specific piece of work to perform laid down in the statute of its origin, and comprising a Board and staff chosen for specific competence and not because of political alignments or Civil Service qualifications. Finally, it should be a body independent of politics, yet standing in a generally recognized relationship of mutual responsibility to Parliament and to a particular minister.

If the outline was firm and common to all corporations, the details within that boundary displayed striking variations. Their Boards were differently chosen and performed different functions, and the heads of these Boards had different roles; their internal organizations were different and so were the provisions establishing public accountability. One may distinguish four sets of causes for these variations. First and most obvious are the differences in the previous history and contemporary needs of the industries concerned; secondly, the different personalities and abilities of the men around whom each corporation with its organization was built up; thirdly, the difference between two types of corporation, the self-financing and the dependent; and lastly, the accidents of Parliamentary debate and the changing moods of successive Parliaments.

To elaborate these generalizations a little, there was in the first place no standard-pattern corporation or standard-pattern job for a corporation to do. The Forestry Commissioners had to fill economic gaps left by private enterprise and physical gaps caused by heavy

timber fellings during the 1914-18 war. This was a very different task from that of the B.B.C., formed to take over the Savoy Hill organization (previously financed by radio manufacturers) and to graft on to that organization the requirements of a public broadcasting system, and faced with the problem of correctly estimating its own enormous responsibilities as a broadcasting monopoly. The task of the Central Electricity Board, under the aegis of the Electricity Commissioners, was to make good the deficiencies of local authority and statutory company electricity supplies—a task accomplished through the grid system which acted as a co-ordinating and transmitting link for the supply units created by Victorian legislation. The London Passenger Transport Board was an outright amalgamation of existing companies, but the first such amalgamation to be created by an instrument of State for the public benefit. The British Overseas Airways Corporation and the Sugar Corporation had each its special function. Each corporation, in effect, took over some service already performed indifferently by other bodies, and reorganized it for the public good. In doing so each took account of the history, traditions and special problems of the industry, and adapted the material ready to hand in a practical spirit as seemed best in the public interest.

This flexibility and willingness to fit methods to circumstances, resulting in variations between the different bodies, was also made necessary by the different personalities of the leading figures around whom each

organization was built. It is tempting to say that each corporation succeeded because of these exceptional men—and in spite of the Acts establishing them. At all events few would minimize the contribution of Lord Reith to the B.B.C., of Sir Andrew Duncan to the C.E.B., or of Lord Ashfield and Mr. Frank Pick to the L.P.T.B. Their positions on paper were far from identical; Lord Reith was not Chairman of the B.B.C. Court of Governors, but Director-General, whereas Sir Andrew Duncan and Lord Ashfield were Chairmen of their respective corporations as well as whole-time chief executive officers. No infallible precedent has been established, and debate still continues on the organization of authority in the corporation. Should the Chairmen of Boards be chief executive officers? Should the Board be whole-time or part-time? Should its members have departmental and executive duties, or should they—like the B.B.C. Court of Governors—constitute a final policy-making body? These issues will be settled in time; the fact remains that personalities rather than principles determined the functions, and assured the success, of the governing bodies of the early corporations.

The third source of difference was the distinction between the two types of corporation. Corporations such as the Forestry Commission and the B.O.A.C. existed to carry out public policy, transcending those economic considerations included in the purview of ordinary private enterprise; to this end they received substantial grants from the State for their operation.

## THE PUBLIC CORPORATIONS

These were the *dependent corporations*, and their internal organization reflected the dependence of their programme on public policy—which might mean in practice ministerial caprice. The *self-sufficient* or *self-financing* corporations, on the contrary, could build up their organization and achieve an active *esprit de corps*, secure in the knowledge that their earned revenues were sufficient to ensure them freedom to pursue their purposes without the intervention of State patronage.

Finally, changes in the climate of Parliamentary opinion, from one Parliament to the next, are responsible for other differences in the structure and powers of the corporations. In 1919 Parliament, fresh from the impact of the Haldane Report, was jealous of the Administration's rights of control; so despite the Acland Committee's recommendations the Forestry Commission was very much tied to Parliament and to the responsible Department of State. By 1926, on the other hand, the fear of overloading the departments with powers and with work was beginning to dwarf other considerations; so the B.B.C. was in practice given a large degree of independence. Though the Postmaster-General was empowered to answer questions on its behalf in Parliament, these were confined to matters of public policy. By the time of the final debates on the London Passenger Transport Bill, fear of political interference had reached its zenith; the L.P.T.B.'s independence was safeguarded by providing that its Board should be appointed not by a Minister but by "appointing trustees", and great latitude was



## FORMS OF PUBLIC CONTROL AND OWNERSHIP

given to the Board concerning the form of its annual statement and accounts and the matter to be included in them.

The London Passenger Transport Act marked the furthest swing of the pendulum away from the idea of direct political control. Between 1932 and 1939 a contrary swing gathered momentum, and in the last relevant Act passed before the war, that setting up the B.O.A.C., the responsible minister was given powers over the actual policy decisions of the Board. Political control was, therefore, as tight as that hampering the Forestry Commission. Since 1945 this movement has in turn reached an extreme point and then been reversed. In the first nationalization measures the Minister's responsibility for policy was underlined and facilitated by extreme centralization of the industry; but after the passage of the Coal Mines Act and the Transport Act, although the Minister's powers remained on paper the same, there is a perceptible swing of the pendulum away from undue centralization; going indeed so far that in the Gas Act of 1948 the effective power of decision is devolved on to Area Boards. The post-1945 corporations, however, require for obvious reasons a section to themselves.

## CHAPTER IV

### NATIONALIZED INDUSTRY AFTER 1945

AFTER 1945 two elements in the development of public control must be distinguished. On the one hand there emerge bodies set up, in what may be called the established twentieth-century tradition, following broadly the pattern of "dependent corporations", established to achieve certain definite and clearly limited objects of public policy incapable, by general agreement, of being attained by private enterprise. One may cite as examples the Overseas Food Corporation, the Colonial Development Corporation and the New Towns Corporations, each working in a field where special powers are needed, where the time horizon of even the most far-sighted profit-seekers might be considered too narrow, and where the public interest—in economic terms, the "indiscriminate benefit"—involved is considered by the Government of the day to be of over-riding importance; and also other bodies whose duty is merely to take over and administer an existing institution already functioning as a unit—e.g. the Bank of England or Cable & Wireless.

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

The new element enters in with the full impact on policy of the socialist ideas evolved in the past half-century; with the giant corporations established as instruments of nationalization. Their size, whether they are considered separately or as constituting together a "public sector" of the economy, and their key position in control of basic industries on which all others depend, make the difficulties which they have encountered a matter of vital concern to the whole economy. No full-length analysis of these difficulties is attempted here; what follows is a brief comparative survey of their structures and an indication of the problems which have arisen, or become conspicuous, since 1945.

The Public Corporations of the pre-war period were comparatively small, as may be seen from the figures of staff employed. In 1938:

CENTRAL ELECTRICITY BOARD	1,500
PORT OF LONDON AUTHORITY	8,000
BRITISH BROADCASTING CORPORATION	4,500
LONDON PASSENGER TRANSPORT BOARD	86,000

By contrast, the post-war nationalized industries employ staff as follows. In 1950:

COAL	735,000
ELECTRICITY SUPPLY	167,000
GAS	135,000

### BRITISH TRANSPORT COMMISSION:

Railway Executive	618,000
Road Haulage Executive	75,000
Road Passenger Executive	62,000
London Transport Executive	99,000
Docks and Inland Waterways	25,000

## NATIONALIZED INDUSTRY AFTER 1945

Hotels Executive	19,000	
Miscellaneous	8,000	
	<hr/>	906,000
AIR CORPORATIONS:		
B.O.A.C.		17,000
B.E.A.		7,000
BRITISH BROADCASTING CORPORATION		11,600

Among the pre-war corporations, in fact, only the L.P.T.B. begins to compare in size with the post-war organizations—and comparison based on size alone is in this case misleading, for the L.P.T.B. was a compact organization covering one locality with an equally compact body of consumers, and moreover the bulk of the assets which it took over were already organized as a single unit.

Size apart, the corporations in charge of nationalized industries differ from pre-war corporations in three important respects. Their assets and activities are physically dispersed all over the country—in the case of the Air Corporations, all over the world; they have an unprecedented internal complexity and diversity of function. Their significance in the whole national economy is equally unprecedented, for not only do they directly employ some 10 per cent of the entire working population, but everyone else's employment, and every industrial and domestic budget, depend on their success or failure. The B.B.C. or even the L.P.T.B. could grossly mismanage its affairs without implicating the whole national economy in its misfortunes; the National Coal Board, to quote the most obvious example, emphatically cannot.

To illustrate the complexity and dispersion of assets and functions in the nationalized industries, one may instance the fact that the National Coal Board owns 1,000 pits (previously in the hands of 700 different companies) in coalfields scattered over England, Scotland and Wales, to a total capital value of over £400 million. The B.E.A. controls nearly 300 power stations and 560 previously separate distribution undertakings, also spread over the whole country, in addition to the 5,000 miles of "grid". The capital value of this organization is more than £1,000 million. The Transport Commission, most complex of all, owns 52,000 miles of track, over one million freight wagons, 45,000 passenger coaches and over 20,000 locomotives; 70 hotels, 52,000 houses, 2,000 miles of canals and a number of docks. Since vesting day it has also acquired about 2,000 previously independent Road Haulage undertakings, and now controls more than 40,000 vehicles. In addition it owns a number of large passenger transport undertakings and has a controlling interest in various ancillary concerns.

This increase in scale, complexity and dispersion creates problems for the solution of which past experience gives no reliable guidance. By comparison with the new publicly-controlled giants, British industry in 1945 was predominantly small-scale. The biggest private undertakings, Imperial Chemical Industries and Unilever, employed 100,000 and 50,000 people respectively. Only the Post Office afforded an example of ultra-large-scale organization. Notably, neither the ex-

perience of private industry nor that of pre-war corporations threw adequate light on the proper relationship, in each giant authority, of the central controlling body to its subordinate organization. In practice they display wide variations in this respect.

The nationalization statute setting up the N.C.B. left regional organization entirely to the Board's discretion. The Board has since split its undertakings into nine Divisions, covering the main coalfields of the country. Within each Division, Areas have been established controlling, on the average, about twenty pits—a size corresponding to the recommendations of the Reid Report.

The Electricity Industry is divided into two parts: distribution, controlled by 14 legally autonomous Area Boards, and generation and main line transmission, which is the responsibility of the Central Authority—the British Electricity Authority. The B.E.A. has grouped its power stations into fourteen Divisions, roughly conterminous with the boundaries of the Area Boards; and these Area Boards themselves have broken down their Areas into sub-areas, subdivided again into districts.

The Gas Industry's structure is more federal than unitary. The statute created twelve independent Area Boards; the central body, the Gas Council, consists of the Chairmen of these Area Boards (with, in addition, an independent Chairman and Deputy Chairman) and has no controlling function, but exercises powers delegated to it by the Area Boards and performs some common services laid down by statute.

The British Transport Commission is a small policy-making body with a staff of about 200; within the framework of general policy, effective management of the various transport undertakings rests with the six Executives, who have themselves set up their own regional and local organizations.

There is less variety in the methods of appointment, and in the delimitation of function, of the governing Boards of the new corporations, than appeared in the pre-war bodies. Of these latter some, the Representative Trusts (like the Port of London Authority) had Boards elected by the users of the service; the Board of Governors of the B.B.C. was appointed by the King in Council and was of the trustee type, having no executive functions; the Board of the C.E.B. was appointed by the Minister, and the only executive functions were those of the full-time Chairman; that of the L.P.T.B. was appointed by an independent body of appointing trustees and was an expert functional Board. In the post-war corporations, by contrast, all Boards are directly appointed by the responsible Minister, who also has full powers of dismissal. There is no element of representation whatever, all Board members being appointed because of their special qualifications in appropriate fields.

Within the framework of these principles there is some flexibility in the composition and functions of the Boards. The trend in post-war legislation has been towards the so-called "mixed" Board, consisting of a few full-time members and a small number

serving part-time. One advantage of part-time members is that it is comparatively easy for them to resign as a means of calling attention to errors; thus they strengthen the hand of the Board as against the Minister. Primarily, however, they are valued as bringing varied experience and a fresh outlook to the problems of the industry. There is a growing tendency to increase the proportion of part-time members; the Gas Act gives the Area Boards only two full-time members (the Chairman and Deputy Chairman), and the Coal Industry Act of 1949 permits an increase in the number of part-time members of the Coal Board<sup>1</sup>.

The actual functions of the Boards have not settled down into a defined and uniform pattern. On the one hand Government planning, which impinges with especial force on the basic industries, has taken out of the Boards' hands a large number of decisions of a type which their pre-war counterparts would have made for themselves—such as the building of new power stations and the acquisition of new locomotives. On the other side, there is no clear dividing line between the functions of the Board and those of the managers. In this respect the tendency has been to move away from the concept of a managing or functional Board and to entrust the Board only with major policy decisions.

One must, of course, always be wary of accepting at their face value schemes of organization, divisions of powers and functions and channels of authority, as they appear on paper. Well or ill conceived, these constitu-

<sup>1</sup> For recent changes in the constitution of the Board, see p. 119



tional relationships, whether in public or private enterprise, are no more than the skeleton on which is built up the living fabric of co-operation, authority, guidance and mutual trust. We have already noted the importance in the earlier corporations of key personalities; personalities are no less important to-day, and practice can make reality or nonsense of the relationships laid down by statute, or by an initial organization scheme, between the different levels and sections of the new giant corporations. A comprehensive picture of this practical reality is needed, but is not attempted here; meanwhile, the limitations of this preliminary survey should not be forgotten.

The same warning is necessary when considering the over-riding public control exercised over the corporations by the Minister and, in the last resort, by Parliament. The nationalization measures passed since 1945 have all given the Minister wider powers than any pre-war statute up to that establishing the B.O.A.C. in 1939. At least three causes can be adduced for this tightening of political control. In the first place, the very size and scope of the nationalized industries, both as producers and as employers, constituted them something of an *imperium in imperio*, a state within the State, whose affairs could not be put beyond the reach of democratic process without creating a political anomaly. In the second place, it was necessary that the activities of the nationalized industries should be harmonized with the needs of national planning, whether this were regarded as permanently essential to economic pro-

gress, stability and justice or only as a necessary instrument of post-war reconstruction; while the dislocation or suspension of normal market mechanisms, part cause and part effect of the state of suppressed inflation characterizing the immediate post-war years, made it all the less possible to allow the new corporations to pursue an entirely autonomous policy. Finally—a consideration akin to the foregoing—most of the industries concerned stood in need of drastic, even if once-for-all, reorganization and rejuvenation. Coal in particular had failed to attract new capital in the inter-war depression years, the railways had been physically run down nearly to danger point during the war, and road haulage had been a social and economic problem child from its beginnings.

All the new statutes accordingly not only concentrate power to appoint and dismiss Board members in the hands of the Minister, but empower him to issue general directions to the Boards on matters affecting national welfare. The day-to-day management of the industries remains the Boards' responsibility and the Minister's new powers, described as "reserve powers", have in practice been treated as such; but their existence lends to any opinions which he may informally express to the Boards a weight which they would not otherwise have.

In addition, the industries have been made subject to Parliamentary debate; but Questions in the House on matters of day-to-day administration are ruled out. Parliament has understandably shown profound dis-

satisfaction with the new system. Yet it is too early to say whether a solution can be found to the problem of reconciling the requirements of democratic control and accountability with those, no less important, of commercial flexibility, initiative and efficiency—which do not flourish under the shadow of the political big stick and within range of the Parliamentary sniper.

The same reasons which made a measure of Governmental and Parliamentary control appear desirable prompted the establishment of watchdog bodies to represent and protect the public in their dealings with the corporations. Each Act provides for an elaborate system, from national to local level, of Consumer Councils entrusted with the task of consulting with the Boards, making complaints and suggestions, and reporting to the Minister—who has in the last resort power, at his discretion, to give directions to the corporation in the sense of the Council's recommendations. These new bodies are taking time to prove themselves. While industrial consumers are, as a rule, already well organized, the domestic consumer hardly knows that the Consumer Councils exist, let alone how to approach them. His confidence is much more likely to be given to his M.P. by way of a letter of complaint; a proceeding which naturally results in precisely the kind of political pressure on the corporations' activities which the corporations' structure and status were expressly designed to avoid. Here is another unresolved conflict between responsibility and efficiency to which no issue can yet be clearly foreseen.

## CHAPTER V

### OTHER AGENCIES OF CONTROL

THE corporations fill the centre of the stage and receive at present the lion's share of public attention and political controversy; and properly so. There are, however, many less conspicuous agencies of public control which deserve examination.

If the term "control" is interpreted broadly to include any Government intervention in the affairs of industry, or any co-operation between the Government and industry to promote industrial efficiency and well-being, then a vast new field is opened up. Few people realize the extent and variety of the public, publicly sponsored and joint bodies which exist to-day (very many of them war-time or post-war developments) and certainly no exhaustive and consolidated list of them seems to have been prepared. They range from the Department of Scientific and Industrial Research and the Ministry of Labour's National Joint Advisory Council (N.J.A.C.), which are well known, to the no doubt less well known Gauge and Tool Advisory Council and the National Vegetable Research Station (to select two at random). Many of them are

to be regarded as alternatives to control and some of them provide excellent examples of what quiet, informal co-operation can achieve when sheltered from controversy and publicity.

Perhaps the most promising way to give an idea of their scope is to attempt to classify them. In the first place there are bodies established for the purpose of consultation and for rendering advice to the Government or industry, or both. They are usually termed advisory councils and are normally tripartite in structure (representing trade unions, employers and the Government, with or without independent members). They may be concerned with problems common to all industry (as the N.J.A.C., the National Production Advisory Council, the Regional Boards for Industry, the Advisory Council on Scientific Policy), or with the problems of a particular industry (as the Building Industry Production Council, the Engineering Advisory Council). It can be safely estimated that every Government department which has dealings with industry will have created at least half-a-dozen such advisory bodies at the national level, with, in some cases, regional counterparts.

A second category constitutes the special agencies proper, that is, those having more than purely advisory functions. These, in turn, may be subdivided into three:

(1) The genuine controlling bodies, of which the Iron and Steel Board is the only outstanding post-war example (during the war and immediately afterwards there were of course controlling authorities, either in-

## OTHER AGENCIES OF CONTROL

side or outside the Departments, for all the major industries, as, for example, the Railway Executive Committee).

(2) Those branches of Government departments providing special services for industry, of which the chief example is the Department of Scientific and Industrial Research (D.S.I.R.). The joint Ministry of Education—Ministry of Labour Youth Employment Executive and the Board of Trade's Production Efficiency Service are other examples. The D.S.I.R. is a long-established concern, but its work has been expanding in recent years.<sup>1</sup> Besides undertaking in its own laboratories specific research projects the D.S.I.R. has sponsored the setting-up of a number of Co-operative Research Associations either where small firms could not afford efficient research departments of their own or where inter-industry co-operation was required. These research associations operate on a purely voluntary basis, but the Government supports them with a grant (up to one-third of their total incomes). Policy control rests with a council composed of members appointed by the firms, together with a representative of D.S.I.R. and co-opted members. Examples are the Boot and Shoe industry's Research Association, and

<sup>1</sup> The present size of the "Scientific Civil Service", by no means confined to the D.S.I.R., is no less than 15,000, of whom 3,000 are highly qualified "Scientific Officers" all with post-graduate research experience. In an address to the Institute of Public Administration, Sir Ben Lockspeiser, Director of D.S.I.R., estimated that out of 60,000 science graduates in the country between 6,000 and 7,000 are working for "public research" of one kind or another.

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

the British Coal Utilization Research Council on which the N.C.B., the B.E.A. and the coal distributors are represented.

(3) The final subdivision covers the independent agencies, that is, those outside the Departments of State. Into this broad category come semi-public and private organizations, bodies sponsored or encouraged by the Government and financed wholly or partly from public funds. Examples can be given—the British Export Trade Research Organization, the British Institute of Management, the Council of Industrial Design and, among organizations more closely linked with industrial production, the Finance Corporations and Development Councils, but considerable enquiry would be needed to make the list exhaustive.

Each of these examples in some degree brings Government policy to bear on industry, while leaving ownership and management unchanged. All that can be attempted here is a brief examination of three of them: Development Councils, the Iron and Steel Board and two of the Finance Corporations have been chosen as most relevant to this study.

### DEVELOPMENT COUNCILS

Although their application has been severely limited to date, the Development Councils constitute what is probably the second most important change in industrial organization introduced by the Labour Government. In some respects they resemble the pre-war commissions described in a previous section, such as the

## OTHER AGENCIES OF CONTROL

Electricity Commissioners and the 1939 Cotton Board (projected but never operative); but they do not, like these, exercise compulsory powers for the regulation and reorganization of industry or the elimination of excess capacity. They derive in fact from the inspiration of Sir Stafford Cripps, who as President of the Board of Trade, declared that they were designed "to provide methods of enabling private enterprise industries to bring themselves up to date", and to lessen the inequality of standard between different industrial units by providing those services—research, design, statistics, personnel training, etc.—which are increasingly essential to modern industry but available only to the largest firms.<sup>1</sup> Government spokesmen have repeatedly explained that the councils were not intended as a prelude to nationalization, nor as agencies of Government control. The story of Development Councils to date is largely one of failure of the Government to convince industrialists of its good intentions in these respects.

A good start was made, however, by the appointment of Working Parties to examine the industries with a view to determining their needs for post-war reconstruction. Five Working Parties were appointed by the Board of Trade in 1945 and in 1946–7 twelve more by the same ministry,<sup>2</sup> covering the following industries:

<sup>1</sup> See the Second Reading of the Industrial Organization Bill, 433 H.C. Deb., 13th February 1947.

<sup>2</sup> Other ministries, notably the Ministry of Works, established similar bodies, and the Industrial Reorganization and Development Act gives power to eight Government departments to set up Development Coun-



## FORMS OF PUBLIC CONTROL AND OWNERSHIP

Cotton, Pottery, Hosiery, Furniture, Boots and Shoes, Linoleum, Carpets, Jute, Wool, China Clay, Jewellery and Silverware, Cutlery, Domestic Glassware, Lace, Heavy Clothing, Light Clothing, Rubberproofed Clothing. The Working Parties were tripartite bodies representative of employers' organizations and trade unions (the members were chosen from panels nominated by their organizations) with an independent chairman and independent members. Their terms of reference were to examine schemes and suggestions for improvements in:

“organization, production and distribution methods and processes in the industry, and to report as to the steps which should be taken in the national interest to strengthen the industry and render it more stable and more capable of meeting competition in the home and foreign markets.”<sup>1</sup>

It was made clear that matters of employer—trade union relations were to be excluded from their surveys. Beyond this they were given a free hand.

The industries chosen have certain important characteristics in common. They are all manufacturing industries producing mainly consumer goods. In most industries small firms predominate; there is a fairly high degree of competition and a strong flavour of individualism (none are fully “organized” either on the workers' or the employers' side). Most of them are old

cils. But only the Board of Trade Working Parties recommended Development Councils and no other ministries have established them. This account will therefore be confined to Board of Trade's industries.

<sup>1</sup> Statement by President of Board of Trade, 415 H.C. Deb., 15th October 1945.

## OTHER AGENCIES OF CONTROL

industries, localized and with craft traditions remaining to a varying extent, while in some there are a considerable number of very small and very inefficient firms. Many had been hard hit in the 'thirties and in the recent war, when they had been obliged to change over to war-time products. All were burdened with a good deal of obsolete equipment. The total of employees in the seventeen industries was in the region of  $1\frac{1}{2}$  million at the time of the Working Parties' investigations, while the pre-war figure was nearer  $1\frac{3}{4}$  million.

The Working Parties were expected to produce reports quickly and their surveys may be described, in the main, as fairly cursory. A few of them confined themselves almost wholly to the collection of opinions, but in view of the part played by opinions at a later stage this is not perhaps to be counted a criticism. The reports were noteworthy first because of a marked degree of uniformity. This is usually explained by the facts that the later Working Parties followed the lead of Cotton and Pottery, and that both the T.U.C. and the F.B.I. had prepared statements on the post-war organization of industry. Equally remarkable was the unanimity displayed in nearly all reports. The only serious reservations are to be found in the Cotton and Boot and Shoe reports.

Just over half the Working Parties noted an existing tendency towards larger units of production and decided that further change in this direction was desirable. All favoured an arrangement for the central collection of information as a first step towards in-

creased efficiency. Most of them stressed the need for some mechanization and the application of modern techniques in production, research and costing. All wanted closer co-operation within the industry and some, "vertical" co-operation, i.e. with suppliers and distributors. Government action was called for in a number of matters. Most of them looked to the Government for the fixing of standards and the fixing of priorities for re-equipment. Some asked for tariffs and tax reliefs, most favoured changes in factory legislation to ensure better working conditions and a few wanted a Government enquiry into distribution. But—and this is a significant proviso—most felt the need for further investigation before final decisions on these matters were made.

It was for the performance of some of the functions mentioned above that Development Councils were suggested. Only four of the Working Parties (those dealing with carpets, glassware, lace and linoleum) were unanimously opposed to Development Councils and only one was divided on the issue (the Boot and Shoe Working Party favoured a council by a majority, the employers opposing). The remaining twelve were unanimously in favour of the Development Councils. Where unanimity was not so evident was on the form which the councils should take, but in the main it was agreed that they should be appointed by the President of the Board of Trade and should have a minority of independent members (though in a few cases these issues were not explicitly tackled). As to the functions

## OTHER AGENCIES OF CONTROL

of the Development Councils, the most favoured were: collection of statistics, the promotion of uniform costings, the development of standards of quality, education and training, market research and the operation of research centres.

Sir Stafford Cripps was confident that he had a mandate for the Industrial Reorganization and Development Act. This Act, which became law in July 1947, is an enabling Act providing for the creation of Development Councils by order of the appropriate Departments when confirmed by a resolution of both Houses of Parliament.<sup>1</sup> The Act lays down that councils shall be composed of a minority of independent members including the chairman, and representatives of workers and employers appointed after consultation with their appropriate organizations. But before appointing a Development Council the Minister has to satisfy himself that it "is desired by a substantial number of persons engaged in the industry".

The councils have very few compulsory powers, those they have being:

The keeping of a register of the firms in the industry.

The collection of statistics (though firms can appeal to the

<sup>1</sup> The ministries which received the power to create Development Councils were the Board of Trade, Admiralty, Secretary of State for Scotland, the Ministries of Agriculture, Supply, Food, Works, and Fuel and Power. To date only the Board of Trade has exercised the power.

The Act also provides that where there is no Development Council the Minister may make a compulsory levy on the industry for the purpose of research, promotion of export trade or the improvement of design.

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

Minister against demands by the Council for disclosure of information).

The imposition of a levy to finance their activities.

Twenty other functions are listed in the First Schedule to the Act though it is not intended that each council shall necessarily be endowed with them all. In fact in the examples to date there has been considerable variation. These functions include:

*Undertaking* the certification of products; registration and proprietorship of trade marks.

*Promoting or undertaking* scientific research; research into industrial psychology; research into industrial disease; research for improving methods of distribution; research into methods of production and labour utilization; consumer research; measures for improving design; encouragement of entry into the industry; tests or experimental establishments; publicity.

*Promoting* standardization of products; training and education; arrangements for co-operative organizations for the purpose of co-ordinating production and marketing; better working conditions; development of export trade; improvement and uniformity in accounting and costing practice.

*Advising* the Minister.

In short, in their executive role, the Development Councils are concerned with the sort of jobs that "service departments" of large-scale businesses perform, and for the rest they are intended as super-advisers and as centres from which ideas and new techniques can be disseminated among the firms of the industry. At least this is the intention of the Act. Their opponents have, however, contended that the implications of Development Councils are much wider. It has been

## OTHER AGENCIES OF CONTROL

pointed out on the other hand that they cannot tackle directly the fundamental problem of the industries—how to make the best use of available resources. Without some compulsory power for the re-organization of the industries and re-deployment of men and machinery, the main emphasis of the Councils' work is likely to be on the promotion of this object through persuasion and encouragement.

Though the Act was generally agreed to have been milder than anticipated and bore no signs of introducing nationalization through the back door, the subsequent attempts to create Development Councils have aroused far stronger opposition from the industries concerned than any of the nationalization measures, with the exception of the Steel Bill. Three Development Councils, for Cotton, Jewellery and Silverware, and Furniture, were established without much difficulty. In the case of cotton, it was merely a matter of reconstituting the 1940 Cotton Board which had done valuable work during the war, and which on 1st April 1948 carried on under the same name and with much the same membership (Sir Raymond Streat as Chairman and most of the members remained) as a Development Council.

There is little doubt that under the inspiration of Sir Raymond Streat it is proving a success and becoming acceptable to the industry. It holds regular conferences of the industry and conducts a design centre, a training and education department and an export promotion department. It has collected valuable statistical material

and made a determined attack on the problem of re-deployment, conducting with the Shirley Institute an experimental mill for testing the re-deployment of men and machines. In addition, the Board of Trade has delegated functions to it in relation to the utility clothing scheme and the re-equipment levy under the Cotton Spinning (Re-equipment Subsidy) Act 1948.

In August 1948 the Board of Trade produced draft proposals for Development Councils for the Furniture and Jewellery and Silverware industries. These councils were established in January 1949. The only serious opposition came from a section of the Jewellery and Silverware industry comprising the Sheffield Silver-smiths. The councils seem to have had a slow start and to have found the process of winning confidence a gradual one. Both have given a good deal of attention to industrial relations, while the first report of the Furniture Council shows it to have tackled, *inter alia*, registration (with no less than 3,000 firms on its books), standards of quality and the education of foremen.

For the rest of the industries the story is one of controversy and often bitterness. No attempt was made to introduce Development Councils in industries where the Working Parties had opposed them but the Government met powerful resistance, mainly from the employers, in most of the remaining ten industries whose Working Parties favoured Development Councils. Some of the industries have expressed a preference for non-statutory councils, (arranged within the industry rather than imposed by the Government) or

suggested, as an alternative, a compulsory levy for central research, as permitted under another section of the Act. Some have followed the view of the F.B.I. which declared in favour of Trade Associations doing the work apart from exceptional cases, when Advisory Councils might be formed. Only in very special instances, such as Cotton, were Development Councils favoured, and even then without independent members. The main fear has been that Development Councils are the precursors of nationalization, though it is difficult to believe that this is the fundamental reason, since the most obvious implication of a proposal for a Development Council would surely be that the industry had escaped the nationalization list. Fear on the part of the employers that their particular Trade Associations would be undermined or that their positions *vis-à-vis* the trade unions would be weakened, and, in general, the strong tradition of individualism in these industries, are probably more potent factors.

The procedure used by the Board of Trade was first to open tentative negotiations, then after a long interval to produce draft proposals, and after another interval to submit them to Parliament, but only once has a Development Council been forced on a "non-co-operative" industry and the members appointed. This is clothing, where the first proposals were put to the industry early in 1948 and a draft order prepared in January 1949, during which time fruitless negotiations were conducted with the employers' organization. The employers declared in favour of non-statutory arrange-



ments and claimed that the Minister's order neglected the differences in needs between various sections of the industry. In December 1949 the employers took the matter to the High Court, alleging that the Minister had not fulfilled his statutory obligation to find a substantial number in the industry to favour the scheme. The matter was decided in favour of the Board of Trade.<sup>1</sup> The Council was appointed in January 1950 but there is as yet no evidence of any progress made.

Negotiations with the wool industry have been even more protracted and the opposition of the employers more violent, and though a draft order was laid before Parliament in November 1949—providing for a council with very limited functions—it now appears that the Government has decided to abandon the attempt to force it through. In several other instances, notably hosiery, pottery, lace, cutlery and the boot and shoe industries, the Government has met strong opposition from the employers but after long negotiation has not tempted to force the measures through. The pattern of these approaches and negotiations was much the same in each industry although the immediate reactions varied—ranging from the retort courteous to the lie direct—the employers' organizations usually prepared to resist while the trade unions tended to support the Board of Trade. In the boot and shoe industry, however, the trade unions supported the employers'

<sup>1</sup> It was pointed out that the employers' organization represented only 6,000 firms out of 24,000 in the industry, while the two trade unions which favoured the Council represented 150,000 out of 470,000 workers.

proposal for a voluntary body and in the wool and pottery industries the trade unions, although favouring a Development Council, appeared to be willing to compromise and have opened negotiations with the employers for a non-statutory body.

The moral is plain. Development Councils can hardly be established, still less be expected to achieve results without, as a minimum, the passive support of a majority of both employers and workers. That the prospect of a Development Council has stimulated intransigent resistance whenever it has been proposed should not, however, lead to their potentialities being ignored. In different circumstances, and in a somewhat different form, they may prove acceptable and it is fortunate that three Development Councils have come into being to provide some measure of their value. If the Cotton Board can demonstrate that its activities produce tangible benefits to the industry then it is unlikely that Bradford or Burslem will be constrained by any purely political considerations from following the example of Lancashire.

It is possible that the Development Councils represent a really promising approach to the old problem of reconciling private interest and public benefit and to the new problem of scale; certainly they deserve thought and study. Their possibilities and their dangers (for "co-ordination of buying and selling" can easily become monopolistic restriction) need more careful thinking out than they have had hitherto. It seems clear, however, that they can be useful in industries totally

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

unsuited technically or commercially to more direct forms of social control.

### THE IRON AND STEEL BOARD

The Iron and Steel Board is unique among the post-war institutions. It was a genuine controlling body, of the same type as the pre-war Commissions, and in particular the Electricity Commission, which has already been discussed as an eminently suitable body for the public control of basic industry. The Steel Board was regarded by the Government as a temporary substitute for nationalization and has come to be regarded by the Opposition and by the steel industry as an acceptable alternative to nationalization. It is therefore of considerable interest to-day.

The Import Duties Advisory Committee had recommended the appointment of a supervisory body for the steel industry in 1937 after the industry had enjoyed some years of tariff protection and after the British Iron and Steel Federation had promoted a number of schemes of reorganization. The Advisory Committee considered that an independent body was necessary both to safeguard the consumers and to supervise developments so as to satisfy the needs of the whole industry and the economy at large. During the war the industry was controlled by the Ministry of Supply, and in 1946 the same ministry established the Iron and Steel Board.

It consisted of an independent Chairman (the only full-time member), two members representative of the

## OTHER AGENCIES OF CONTROL

trade unions in the industry, two members representing the employers and two independent members. It was responsible to the Ministry of Supply and was given a staff of 100 Civil Servants. It was originally intended to advise the Government on the proposed nationalization of the industry but this plan was abandoned in face of opposition from the industry. (The Federation nominated its two members on the understanding that the Board would not undertake such a function.)

Its functions were as follows:

To supervise programmes of expansion and reorganization, prepared in accordance with the plan produced by the Federation in 1946.

To exercise certain economic controls delegated by the Ministry.

To advise on price policy and the fixing of controlled prices.

The Government used it as a sort of independent expert advisory committee for assessing the various capital projects of the steel industry. Matters such as the location of new plant and co-ordination with other new works came before it, and even appeals by individual firms which considered that they had received unfair treatment under the capital programme. It used an expert staff to examine all new projects, besides exercising such direct economic controls as the allocation of raw materials and semi-finishing materials, and the fixing of prices.

The Board broke up when the Government produced its nationalization project in 1948; all but the

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

trade union members declined to serve an additional year. The Board was dissolved in 1949. In its brief existence it earned some approbation. It was generally considered to have done a sound job and provided a useful experiment in public control without public ownership. Should the steel industry be denationalized, the Steel Board, or a body something very like it, appears to be the chosen successor of the Steel Corporation.

## FINANCE CORPORATIONS

The two main post-war Finance Corporations, the Industrial and Commercial Finance Corporation (I.C.F.C.) and the Finance Corporation for Industry (F.C.I.) bear some resemblance to the pre-war Bankers' Industrial Development Corporation, and can also be said to have specialized predecessors in the shape of Finance Corporations designed to assist particular industries.<sup>1</sup> The origins of the Industrial and Commercial Finance Corporation, the smaller of the two, can be traced to the MacMillan Report on the Finance of Industry in 1930, which indicated a gap in the financial mechanism (so far as the home borrower was concerned) between the provision of comparatively small-scale, short-term loans available from the banking sys-

<sup>1</sup> e.g. the Railway Finance Corporation and the Agricultural Mortgage Corporation. The other post-war finance corporation is itself a specialized agency—the National Film Finance Corporation, established in 1948 to make loans to independent film producers. The capital of this *ad hoc* corporation (initially £5 million) was lent by the Government, and it has since received further advances.

tem and the large-scale, long-term finance available through the new issue market. In the light of Keynesian economics the closing of the "MacMillan Gap" was seen as an essential part of full employment policy; and the Industrial and Commercial Finance Corporation was designed to fill it. The Finance Corporation for Industry was also conceived with the needs of full employment in mind, and was intended mainly to assist in the reconstruction of the basic industries, in addition to providing capital for new enterprises.

Both were established in 1945 under the Coalition Government. The Industrial and Commercial Finance Corporation has a capital of £15 million subscribed by nineteen of the main commercial banks and by the Bank of England with a token contribution. It has borrowing powers up to £30 million and handles loans of from £5,000 to £200,000. The Finance Corporation for Industry was provided with a share capital of £25 million, jointly owned by the Bank of England and a group of insurance companies and trust companies. It has borrowing powers up to £100 million, and is intended to make loans above £200,000. The directors of both corporations are appointed by the shareholders—a fact on which the subsequent nationalization of the Bank of England has an obvious bearing.

Both corporations had a difficult course to steer and were viewed with considerable suspicion by other financial institutions. On the one hand, they were not expected to compete with the established institutions, but to provide loans or take up shares only where firms

would have difficulty in raising capital in the normal way. On the other hand, they were expected to conduct their affairs without making any loss, avoiding commitments which could not be described as commercially sound.

The first year of the Industrial and Commercial Finance Corporation seemed to show that there was scope enough within this narrow compass, and also that the "MacMillan Gap" was a reality. The corporation found no necessity to seek customers, but within twelve months had received 800 applications and committed £5 million. A large proportion of this business was done with the metal and engineering industries. It performed two types of operation: the granting of loans, some well secured, carrying a rate of around 4 per cent and repayable by instalments, and others unsecured; and secondly, the purchase of share capital. The proportion of loans was approximately 60 per cent of total advances and roughly half the loans were unsecured. The remaining 40 per cent were shares of which about half carried equity interest. The corporation has not been primarily concerned with capital for new ventures.

In subsequent years the flow of applications has slackened, but the corporation has continued to do steady business. The report for 1949-50 shows that in the last year over 500 applications were received and 315 approved in spite of a stiffening of rates—the policy of the Industrial and Commercial Finance Corporation being to follow market rates for gilt-edged and new

issues. There has been an increasing tendency for the corporation to avoid risk capital: it holds only £1½ million ordinary shares. The chairman stated that "a substantial part of the corporation's resources is utilized in providing additional working capital". By March 1950 it had £15½ million loans and investments outstanding out of possible resources of £45 million, and it had shown a net profit in the previous year of £360,000. The *Economist* has described it as performing "a moderately useful function in a moderately cautious way".

The Finance Corporation for Industry had a much slower start. The nationalization of coal and railways seriously reduced its opportunities to serve in post-war reconstruction. At the end of its first year it had approved advances of only £1 million, of which £250,000 had been taken up. Its first major operation was to arrange a £35 million loan to the Steel Company of Wales in 1947, and in the following year an £11 million loan was approved for John Lysaghts of Scunthorpe. Its latest accounts show that by March 1950 the loans and investments totalled over £32 million, with commitments for £34 million, making the total up to £67 million. (The net profit for the year 1949-50 was £38,000.) What is of much greater significance is that nearly £20 million of the loans and investments represented loans to the steel industry and no less than £32 million of its commitments was on behalf of the steel industry. Thus, nearly 80 per cent of its business was tied up with steel.



It is therefore impossible to avoid asking what the Corporation would have done if the steel industry had been higher up on the nationalization list, and also what it will do when the present nationalization arrangements are completed. (The Steel Act provides for the repayment of the Finance Corporation for Industry loans within eighteen months of the transfer to public ownership.)

A much more important proviso must be made in relation to both corporations. As far as the Finance Corporation for Industry is concerned, there is a danger that it will intensify the process of reducing equity capital among the larger firms. But the big query is whether the corporations, and especially the Industrial and Commercial Finance Corporation, can solve a fundamental problem of British industry—that of providing risk capital for new and small firms. Most new firms are necessarily speculative. For every backyard venture which produces, say, the jet engine, there must be very many which fail or achieve only moderate success (and to some extent the same is true of new ventures of established firms). Yet it is vital, if enterprise in British industry is not to disappear, that these unpredictable experiments should be made. The stock market used to be able to provide for them, and by its nature it could sustain the shock of a large number of failures in new fields. The market, for a variety of extraneous reasons, is no longer finding money for equity issues. Are the present corporations likely to do any better? On the face of it the answer must be no.

## OTHER AGENCIES OF CONTROL

To date they have financed very few new ventures, and it seems doubtful if an institution of their type could do more. They are doing little more than holding the ring and letting the investors take the losses as the Stock Exchange did. Such a body as the Industrial and Commercial Finance Corporation, deriving its funds from the commercial banks, could hardly afford more than one or two failures a year. What needs further consideration is how the finance corporation system can be adapted to provide a greater contribution towards the solution of this problem.

On the other hand it would be premature to regard either of the corporations as already redundant, or to judge them solely on the experience of five post-war years and relate their role exclusively to the circumstances of an era of nationalization, inflation and high taxation. Attention has been so far focused on their lending. Nevertheless, it is worth while, in addition to drawing attention to their opportunities as borrowers, to raise the question whether they could be used to attract capital from smaller investors, and provide the opportunity for an increase in the number of these small investors. Equally important from either the social or the economic point of view is the fact that they can offer an alternative to the financial trusts or the holding company system of financing, which have increased to a dangerous extent in recent years. Finance corporations should be able to offer both the reasonable rates of interest and the facilities which holding companies provide, without the limitations on the free-

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

dom and enterprise of the individual firms, the secret ramifications, the undisclosed ambitions and all the other undesirable features of financial empires. If the corporations can help to check the growth of this type of private monopoly their value is not to be measured solely according to the size of the figures on their balance sheets. They have, moreover, already demonstrated that public monopoly, in the form of nationalization, is not the only solution to a shortage of capital.

## CHAPTER VI

### PROBLEMS OF NATIONALIZATION

THIS general survey of the forms of public control does not, needless to say, put us in a position to pronounce categorically either on their "success" or "failure" in practice nor on their precise potentialities. Too much depends on imponderables, too much, in each industry, on circumstances having little or nothing to do with organization and ownership, too much on past history. Nevertheless it is worth while to enumerate, however tentatively, the as yet unsolved problems raised in particular by the new Public Corporations and the policy of nationalization which they embody.

Some of these, especially important in the realm of imponderables, arise less from the nature of public control than from the motives which brought it into being. The impetus behind nationalization has been, and remains, not merely economic and administrative, but ideological. Its framers did not, like the Conservative devisers of the pre-war corporations, see the organizations which they established merely as means of correcting particular weaknesses, supplementing particu-

lar deficiencies, or improving particular economic relationships within an accepted and fundamentally unchanged economic system; they saw them as a means to the transformation of that system, a step on the road to a New Social Order. Nationalization, it was believed, would correct social injustice, throwing open the closed preserves of the economic hierarchy, doing away with gross inequalities of wealth; it would give to workers of all grades a higher incentive than the mere hope of material gain; it would improve conditions of work; it would replace industrial strife with goodwill and peace; rescue the workers from their sub-human status as mere cogs in the machine, "hands" to be pushed about by the bosses. Some at least of the difficulties of the nationalized industries have arisen because these hopes, so deeply felt, have inevitably been, for the moment at least, disappointed.

Nationalization has not reduced inequality of income; such reduction as has taken place has been the work of taxation. It has indeed abolished the dividend-drawing shareholder, so that the miner, for instance, no longer feels himself to be risking his life for another's profit; but it has substituted the interest-receiving Government stockholder, and left virtually unaffected the difference between the incomes of the manual worker and the high executive. The opening up of opportunity, the framing of equitable promotion policies, must at best take time; there could be no millennium of justice on Vesting Day. Nationalization has not noticeably ennobled motives; the worker remains no less responsive

to the size of the pay-packet, the ordinary executive staff to considerations of petty privilege and status. The most that can be said—so far—is that the highest executives, the skilled professional technicians, and the higher trade-union officials may find, in freedom to get on and do a good job without worrying about immediate profit and the exigencies of competition, a welcome release and a wider scope for the public-service motive which is an ingredient of the professional attitude. Nor has nationalization automatically accomplished what was hoped for in the matter of better conditions, greater opportunity, and more human and dignified status for the workers, with improved and more harmonious industrial relations as their result. There have indeed been improvements, improvements which augur well for the future and which may in time bring about the hoped-for transformation; but no such transformation could take place overnight.

Rationally, one may say, it was impossible to expect the mere fact of nationalization automatically and immediately to bear fruit in social justice and humanity. Bad habits and wrong attitudes die hard; the building up of sound relationships takes time; the role of nationalization in building the "New Social Order" is both partial and indirect. But no major social aspiration is wholly rational; emotions are impatient and disappointment consequently inevitable. It is at least partly to this irrational, very human factor in the situation that one may ascribe the record of 6,000 unofficial strikes in the coal industry between Vesting Day and Decem-

ber, 1950—though one can hardly doubt that that record would have been disastrously worse under the old regime. And it is only reasonable caution to add that while the failure of nationalization to work immediate miracles is no proof of ultimate incapacity, that capacity itself still remains to be proved.

The mere fact of nationalization, for instance, does not solve the human and economic problem of redundancy; can a corporation solve it better, from the point of view either of efficiency or of equity, than private enterprise? Can the liberty and status of specialized executive and technical staff be safeguarded under a sole employer whom no competitor may challenge? Can promotion policy and selection methods be evolved which demonstrably provide real equality of opportunity? The corporation may, very possibly, be better fitted for this task than private industry; nevertheless the task remains to be done. Perhaps most important of all, is it possible to avoid in these huge organizations an actual worsening of the evil characteristics of modern large-scale enterprise, the sense of individual frustration, the dehumanizing of working relationships, the steam-rollering of individual character and talent, the lack of the "sense of belonging"? It would be unjustifiable to say *a priori* that corporations cannot, in time, find satisfactory answers; the fact remains that in the human field they raise quite as many new problems as they solve.

It was not of course solely on moral grounds that socialists urged nationalization; they also strongly ad-

duced economic reasons. Of these, four in particular were regarded as compelling; the growth of monopoly, the inadequate scale of private industry, the need to reconstruct the basic industries in a manner which private enterprise would not, or could not, undertake, and lastly, the requirements of an inclusive national plan.

The anti-monopoly argument for public control is, as we have seen, old and respectable; it was the original argument for public utilities, from which there grew the local control of local monopolies in gas, water, tramways and electricity. It appeared to follow logically enough that nation-wide monopoly could only be effectively controlled on a nation-wide scale, through national ownership. Nation-wide monopolies in any strict sense of the word would of course be far to seek; but the argument has been imperceptibly widened to apply not merely to monopoly in the strict sense but to the mere absence of perfect competition. The problems of price, quality and service which, as we have seen, were never wholly solved by the public utility or tribunal devices of the last century, remain to be solved by the corporations of to-day; and there is nothing in the corporations' form, or in the general directives incorporated in their statutes, to afford an automatic solution. To the evils of monopolistic exploitation they do indeed provide a preferable alternative through the mere elimination of the profit motive; whether they can avoid irrationalities and misdirection of resources depends on a number of factors of which form is only one and not the most important.



The arguments based on the inadequate scale of private enterprise, on the economies of production and distribution to be derived from nation-wide integration, need for full validity to be based on much greater knowledge than is in fact available. The advantages of large-scale organization, though genuine enough, can be exaggerated; and too little attention has been paid to the factors, most of them human and psychological, which set limits to the size of a fully efficient and effective economic unit. Labour thinkers themselves are beginning to recognize that the optimum size of industrial organizations has been seriously exceeded in the mammoth nationalized industries. The question is complex: "organization" is an omnibus word. The size of the working unit, the unit in which human relationships and solidarity are important, is one thing; the size of the productive unit, the unit which can make the best possible use of equipment; may be and often is quite another; the size of the commercial unit, the unit with reference to which price and production policies are centrally conceived, may again be different from either.

The ideal organization will somehow contrive to combine the above three different, and possibly incompatible, optima with a minimum of loss. Within the general category of the corporation, some appear to be considerably further from the ideal than others, while none has—any more than large-scale private industry—given an answer beyond criticism. Impersonal uniformity, bringing a sense of human frustration to the

worker; remoteness and rigidity of central management, hampering the initiative and stifling the pride in work of the main body of managers; unduly complex chains of authority, undermining judgment and responsibility—these are the dangers of the very large economic unit, and the new corporations have not, as yet, escaped them.

One can even say that a Public Corporation is more likely to suffer from these diseconomies of scale than is a comparably large private enterprise. American economic empires are smaller than British Public Corporations, but their advantage in flexibility and resourcefulness is enormously greater than can be accounted for by this difference. Their managers are fully responsible, gaining reward for sound enterprise and suffering dismissal or demotion for failure. Those of the British nationalized industries have neither full responsibility nor equivalent stimulus; a public enterprise must be publicly accountable, and it is inevitable that public accountability should to some degree favour those courses of action which will sound correct when justified on paper, rather than those embodying ordinary commercial resourcefulness.

Putting all these considerations together, one is led to enquire whether, after all, an efficiently and wisely controlled private monopoly, or a more loosely integrated complex of undertakings, may not be preferable to a public one; whether, in some fields at least, the rate-fixing tribunal or commission may not be a more suitable method of control than management by a cor-

poration. A commission, or a Department of State, has the advantage of detachment; it can deal with abuses the more readily by reason of not forming in itself an integral part of the organization of the industry, while at the same time acquiring a comprehensive vision of that industry and an understanding of its particular problems.

These arguments notwithstanding, the case was already strong in 1939 for a drastic reorganization both of the utilities and of other basic industries—a reorganization more drastic than could, in all probability, have been accomplished without massive intervention by the State. As in 1914–18, the war effort compelled changes that were already long overdue. Both before and during the war a succession of White Papers had demonstrated how the parochial organization of the utility industries, the fruit of Victorian legislation, had created in the hands of local authorities and private enterprise vested interests which hampered or frustrated technically desirable amalgamations. The coal industry was split into thousands of uneconomically small undertakings; the railways suffered from an uneconomic lack of co-ordination; steel production was enmeshed in a variety of artificial restrictions.

Private amalgamations and integration through holding companies were haphazard and slow, and their benefits were apt to be narrowly financial, accruing to the holding companies rather than to the productive units. Only State authority could cut through the obstructions, and in some cases only State resources could

finance the subsequent reorganization; in such circumstances it was reasonable to argue, in the words of the report which advocated the establishment of a Central Electricity Board, that "the advantages of a beneficial mechanism created by the State should accrue to the community."

Strong arguments for public ownership were also derived from the financial needs of re-equipment. It was very doubtful whether private enterprise could raise the vast capital sums needed to purchase and instal the modern equipment which the basic industries, in their run-down condition, required if they were to serve the community advantageously. The private investor, once bitten, was inclined to be twice shy; both a longer time-horizon and more elastic resources were required. If the State provided these, it seemed only right that the State should acquire an interest and reap the resulting profits.

Finally, there was the argument, particularly congenial to socialists, that State ownership and control of the basic industries were essential to national planning, which in turn was the only way to ensure the best use of the country's resources from the point of view either of maximum welfare or of full employment. Overhauled and strengthened, the reorganized basic industries should be effective instruments of planned investment and production.

To examine the general validity of this argument would be to raise the whole issue of the relation of the profit motive to welfare, the respective merits of im-

posed and spontaneous economic development, the fundamental debate, in fact, between socialism and the price economy. Needless to say, this is a matter lying well outside the scope of this study. The argument did, however, have a recognizable particular validity in the circumstances of 1945. Central control had the prestige of success; it was under close Government direction that Britain's industrial resources had been, under the challenge of total war, mobilized for victory. What could be done for victory could—it was arguable—be done for reconstruction; not only could but must, said many by no means socialist thinkers. Changes beyond a certain critical degree of magnitude and of urgency could not be left to the price system but called for central direction. Whether an ultimate return to the free market were envisaged or not, the circumstances of the immediate post-war years gave considerable cogency to the argument for planning. At the same time they favoured direct industrial control in practice. The pattern of the nationalized coal, electricity and gas industries was already in being at the Ministry of Fuel and Power; the future Transport Commission was already an operating entity at the Ministry of Transport. To establish the framework of socialism it only remained to transfer to the State the actual ownership of the firms and authorities concerned.

## CHAPTER VII

### PRINCIPLES AND POLICIES

**T**HUS, whether the existing forms of public ownership and control are examined in relation to moral aspirations or to economic arguments, it seems necessary, on the evidence summarized in this study, to suspend judgment on their efficacy in attaining their ends. One may recognize potentialities for good even where those potentialities remain unrealized—but it is the fulfilment, not the mere existence, of potentialities which is important. One may indicate difficulties without despairing of a solution—but the solution must be found if the difficulties are not to prove fatal. The institutions so far described may perhaps best be considered as transitional, for the greatest economic advantage of political democracy is its flexibility. No decisions are final and irrevocable—except in the limited sense that one can never wholly unscramble eggs. Since debate and criticism are possible, economic strait-jackets can never enjoy long vogues. If nationalization has shown collectivist presuppositions to be oversimplified, it has also brought a profitable public scrutiny to bear upon the problems of the basic indus-

tries. In the concluding section of this study we can, therefore, without feeling ourselves unduly limited by the *fait accompli*, ask what direction future development should take.

It may be helpful to envisage the relation of the State to economic activity in the form of a pyramid, whose apex is the unquestioned sovereignty of Parliament and which widens, through gradations of diminishingly direct intervention, to include all these forms of control which safeguard the democratically ascertained public interest in industry.

The prime function of *Parliament* in this field is to make good laws—a commonplace which bears repeating in these days of mass-produced legislation. The administrative, supervisory and judicial functions involved in applying these laws should be clearly separated and defined; they should be undertaken by Departments of State, commissions, and where the need arises, by the judiciary. Parliament's controlling power should, for the most part, be residuary—for the sake both of the industries controlled and of Parliament itself.

The responsibility of the *Departments of State* should be to oversee, not to manage or direct, the undertakings subject to public ownership or control. They should be as free and as ready to bring an offending Public Corporation before the Courts of Justice as they were, before 1945, to summon an offending statutory company or municipal undertaking.

Many industries under public ownership or control

would be better supervised by a *Commission*, established in the spirit of the Electricity Commissioners, to encourage the industry, to satisfy Parliament, through the appropriate Department of State, that it is being run to the consumers' advantage, and to prepare plans for its development. A selected body of men, some with technical experience, others with administrative ability, can—as the experience of the Electricity Commissioners has shown—become intimately acquainted with the problems of an industry and give it valuable assistance while at the same time pursuing the public interest. Similarly the rates and charges of every corporation should be justified before, and fixed by, a *Tribunal* similar to the old Railway Rates Tribunal. It is to these regulatory commissions and rate-fixing tribunals rather than to Parliamentary discussion that the public should look for safeguard; one cannot emphasize too often the wisdom of keeping essential industries out of politics.

The future and the possibilities of the *Development Councils* remain obscure but, in spite of inauspicious beginnings, not unpromising. They may be envisaged as a means of providing, for industries made up of small-scale undertakings, many of the advantages, without the drawbacks, of integration; as a two-way channel of communication between such industries and the various agencies of Government; as a better, because more comprehensive, instrument for performing some of the present functions of Trade Associations. Their looseness and the permissive nature of their



powers make possible a diverse evolution suited to the special circumstances of each industry and particularly to the personalities and abilities available.

The *Finance Corporations* have a valuable role to play. Taxation has reduced the volume of private saving available for investment in industry, and alternative sources of long-term finance are needed—particularly for developments other than those which can draw upon existing company reserves. It would be reassuring if the Finance Corporations were able to draw their capital from small investors, and if they could take up a greater proportion of risk capital.

Of the *Public Corporations*, the dependent and self-financing categories necessarily stand in a different relation to the central authority, the former calling for far more strict Ministerial and Parliamentary control than the latter—which, as argued above, are better controlled by Regulatory Commissions and Rate Tribunals. Since Dependent Corporations are by definition in receipt of public funds and the sole reason for their existence is public policy, their affairs fall within the traditional and indeed primary scope of Parliamentary responsibility. There should be a Standing Committee of the House to examine their budgets and their efficiency, following on the reports of the appropriate Commissioners. It may even be necessary to make more direct the responsibility of the Minister in charge of a Dependent Corporation, at all events in the latter's early stages. The case of the groundnuts scheme seems to illustrate that mismanagement and confusion will

follow unless responsibilities are properly apportioned and clearly defined. No such undertaking would have been launched except in pursuit of a cardinal purpose of public policy, and it would seem that the responsible Minister should be directly accountable for its successful prosecution.

Once the change from private to public ownership and the regrouping and co-ordinating processes involved, have been carried out, much greater freedom should be given to what are termed *subordinate organizations*. It is the argument of this study that the ideal body to undertake the duties of planning for these organizations is not the central executive of a parent corporation, but a commission. When two industries are allied, as for instance electricity generation and distribution, the necessary co-ordination could be better achieved by a commission than by a parent corporation with confusing duties.

This decentralizing reform would give area or regional corporations a much better chance than they now have to develop a spirit of initiative, responsibility and energy. It would encourage emulation, bringing the benefits of commercial competition without its evils. A result too, not among the least important, would be the encouragement within each "subordinate organization" of a feeling of corporate solidarity, continuity and purpose among the workers. It would be possible under such an arrangement to introduce incentive payments to the workers akin to some of the profit-sharing schemes in the gas industry prior to

nationalization. To gain full social and psychological advantages of decentralization it is necessary to keep a close watch on size, taking into account not merely geographical area but numbers employed, and to remember that the strength of the structure depends most on its foundations.

The field of usefulness of the *Public Utility* form of control is limited to those monopolies and quasi-monopolies still requiring, or likely to require, to be financed by risk-taking owners of stock or share capital, and providing an easily identifiable product to which comparatively simple standards can be applied. In such circumstances control of dividends, prices, and quality is desirable and possible; it can take various forms, such as sliding scales and incentive provisions. Public Utility control may well provide an alternative to nationalization for large-scale industries which, while calling for supervision in the public interest, require greater freedom of self-government than nationalization can admit.

The general lesson of Public Utility control is a nineteenth-century lesson. The utility companies and local authorities were all subject to statutory control. They were independent of the State but watched over by Departments of State. It may be argued that a State Department is more likely to call to book a company or local authority than it is a Public Corporation for which it is responsible. Any revival of Public Utility regulation should, however, aim at greater flexibility; whether that regulation is carried out by a commis-



## PRINCIPLES AND POLICIES

sion or by a Department of State, a report should be made to Parliament each year, incorporating any recommendations which experience of changing circumstances may have suggested for amendments to the law.

There is also much to be said for extending the field of the *Representative Trust*, which experience has shown to be an admirable body where a compact and easily identifiable body of consumers can be found able and willing to perform a commercial service. It has been suggested that the A.A. and R.A.C. should be encouraged to form a Representative Trust to maintain A class roads and administer the Road Fund—a good example if not, perhaps, a practicable one. Possibly Gas and Electricity Boards could be thus organized, incidentally doing away with the need for Consumer Councils.

The existing system of *Consumer Councils* is, indeed, generally recognized to be unsatisfactory. It should be possible to transfer their duties to the Councils of local authorities, at whose headquarters officers should be constantly available to hear complaints and take effective action on them. Indeed, one of the defects of the present machinery of the Public Corporations most calling for immediate action is the impossibility for the ordinary consumer to have his complaints dealt with promptly and courteously. In the last analysis it is for the individual consumer that the Public Corporations exist. Similarly, the final test of their efficiency is whether or not they serve him better than

#### FORMS OF PUBLIC CONTROL AND OWNERSHIP

any possible alternative form of organization. It should not be necessary to ask M.P.s to raise questions in Parliament about the courtesy and helpfulness of a local telephone exchange. That is something for which on grounds both of democracy and of efficiency local action should suffice.

## CHAPTER VIII

### THE FUTURE

WE have traced the evolution of public control from the nineteenth century Utilities to the present day; we have drawn certain conclusions concerning the problems inherent in that control and have also indicated desirable changes in the institutions in which it is now embodied. It is tempting, by way of conclusion, to project the pattern of growth further into the future; to distinguish the tendencies out of which fresh institutions may develop, more effectively harmonizing the requirements of modern productive technique with liberal principles. That evolution will continue is certain; there is no room for complacency concerning the present system of mammoth socialized industries, even among those who formerly saw in wholesale nationalization a panacea both for social and for economic ills. But what form is the evolution likely to take?

Looking back over more than a century, one can distinguish, as it were, three primary themes from which the variations of public control and ownership are derived. The first is the desire to control, in the interests

of the general welfare, the arbitrary economic power of the monopolist or near-monopolist. The second is the desire to re-mould the structure of long-established industries, following individualistic patterns of ownership, in such a way as to gain the full benefits of modern technical advance. The third is dissatisfaction with nineteenth-century systems of ownership. It is not only Marxists who have resented high dividends unjustified by risk-bearing being paid out of the productivity of basic industries.

From these three themes, particularly the second and third, is derived the decidedly cacophonous music which we hear to-day. The want of harmony, however, need not be permanent. It is possible to descry in the Development Council, the Regulatory Commission and the Finance Corporation the germs of a form of institution which may in the future perform objectively, and to the benefit alike of particular industries and of the whole body of consumers, those functions of industry which are best carried out centrally. One may instance, in particular, the raising of capital. The overwhelming advantage of the large firm over the small in acquiring capital cheaply has been a potent influence leading to monopoly, as well as an argument for nationalization. If the Finance Corporations, beside increasing in numbers, can develop the facilities which they offer, it may well come about that any well-conducted and efficient firm will be able to borrow on terms as favourable as those enjoyed by financial empires and Public Corporations. In a different

field the Development Councils, themselves developed and more numerous, could give the small firm access to many of the services at present only available from the headquarters organization of a large monopoly or Public Corporation—to the advantages, in fact, hitherto associated with large size.

There is urgent need of field research to establish just what are the advantages of size and what are the counter-balancing disadvantages. When adequate evidence is available it will be possible to discuss objectively the desirability of retaining, or for that matter reverting to, small units of enterprise as the characteristic feature of our economic system.

The development of control raises issues much wider than those of economic and administrative expediency; issues of political and legal theory which the socialist movement was right in regarding as moral questions. Development Councils lessen the sovereignty of individual firms just as Regulatory Commissions, Departments of State and the Treasury limit the sovereignty of Public Corporations. Surely, however, it is time to recognize formally that there are limits to every form of property. The rights of land ownership provide an analogy. Freehold tenure was to many people's minds, before the passing of the Town and Country Planning Act, an absolute title to the unrestricted use of land; but it was never such. Freehold land was held from the King subject to the conditions of general law as to peaceful use, and more often than not was subject also to many particular restrictions imposed or agreed upon



from time to time, for neighbourly use. There is no reason why industrial property should, any more than landed property, imply an absence of all restrictions in the public interest; ownership is not sovereignty. The earliest Public Utility legislation marks the dawn of a new concept of property, one which was an essential element in later nineteenth-century liberal thought concerning legal control over industry. That dawn, however, was clouded by the twentieth-century storms over ownership in the broadest sense and over words such as "exploitation" and "the profit motive".

The developments which we have been studying offer some hope of a new start. The difficulty has been that "ownership" in industry has been considered as something indivisible, vested entirely in the person or persons entitled to the profits of the enterprise or liable for its losses—that is, the equity holders. There are two things to say about this; first, that two other classes of people have been staking their claim to "ownership", the managerial class and the workers; second, that in a number of established industries the need for equity holders is diminishing. Both statements call for elaboration.

In the same piece of landed property there are often several rights of ownership; those of the freeholder, the leaseholder, the tenant, the owner of sporting rights and the owners of rights of way. In industrial property an analogous division of rights is in process of being established. Trade union negotiations with the Public

Corporations and with many large private firms are no longer exclusively concerned with wages; the rights of the workers to joint consultation and to a proportionate share of decision in policies affecting them are being strenuously advanced. Profit sharing, too, is steadily gaining adherents. These developments correspond to the strong moral claims of managers and workers. A job—so it is implicitly claimed—constitutes a stake in the enterprise no less than does the ownership of equity rights in that enterprise.

There is no lack of evidence that the equity holder is losing his function. The Public Corporations get along without him, turning his capital into fixed-interest-bearing stock. In other industries—though this is an arbitrary and probably a temporary measure—"dividend restraint" has put a ceiling to his share of the enterprise's earnings. His right of ownership, apart from his right to a limited dividend, is only exercised occasionally over the appointment of a director—or when the company faces bankruptcy. A parallel may be seen in the residual right of the State, the equity-holder of the Public Corporations although taking no active part in their management, to intervene when the industry is making losses of an order that would entail bankruptcy in a private enterprise.

We are thus beginning to face realities. There is a type of business which the State cannot allow to go bankrupt; in this type the function of the equity-holder, the risk-bearer, is atrophied, and his control loses justification. This type of business is effectively controlled

by its managers and, to a limited but increasing extent, by its workers; it is to be found partly in the public sector in the shape of the Self-financing Corporations, partly in the private sector, among the larger monopoly firms. It is time this dispersion and evaporation of property rights received legal recognition. When that is granted, we shall have a classification of forms of ownership and control corresponding with economic reality and also, possibly, going some way toward meeting contemporary conceptions of individual and social justice.

Looking thus to the future, we may see the field of the Public Corporation proper confined to that now occupied by what we have called Dependent Corporations. The present Self-financing Corporations will have evolved into a new form of institution, with smaller and more intimate units, whose main features will be independence of the State and of the shareholders; a corporate sense in which management and workers will share; a sense of social purpose, uniting "public accountability" and "public service" in a larger philosophy—one of pride in work, pride in the material reward it gives, in the sense of a job well done, in the service it provides. As such institutions grow the sense of continuity, too, will develop and, with that development, much of the self-assertiveness which is now generated by unsureness of purpose, and much of the frustration which derives from the vast size of our present corporations, will disappear. This may be optimism, but it is optimism based on a realistic, not a

Utopian, view of the relationship between working environment and working psychology.

The need for controls and for enlightened limitation on sovereignty will remain. Some of the Boards may well be composed not exclusively of experts, but also of representatives of industrial and domestic consumers. Commissions, Development Councils and Co-operative Research Associations will play a part in keeping scientific advances in perspective and in making their results available. It is not impossible that between such corporations there may emerge, beside a lively spirit of emulation, limited forms of competition from which the consumer will benefit; and it should be practicable to introduce incentive arrangements (similar to those practised by the Sugar Corporation, but with benefits accruing to workers and management) which would have a usefully stimulating effect. Above all, laws conceived very much in the spirit of nineteenth and early twentieth-century public utility legislation will be used, by the administration and the judiciary, to impose standards of service, economy and quality and to guard against the misuse of economic power.

These desirable aims cannot, however, be achieved by Acts of Parliament or by devising neat systems of organization and control. The forms of control and the organization are the background and framework which can either cramp and stultify the life within them or guide it to a fuller expression. Furthermore, even the systems themselves cannot be re-cast to any pattern at any given time. If they are soundly based, then their

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

development can be slowly shaped to further the goals of the people they serve. The wider significance of such development is that it can offer a happier and more prosperous way of life than either the capitalist system has made or than communism promises to make. The world to-day is rocked by the emotions of people whose faith is pledged to rival systems of philosophy and economics, which alike offer simple solutions to all the world's ills. Yet in reality the very violence of these emotions is but an evasion of the awkward fact that there have yet to be found the institutions and mechanisms which will use man's science and techniques to further his real needs—producing more, sharing wealth justly and providing the freedom to work and live in ways that suit him best.

## APPENDIX I

### LIST OF ORGANIZATIONS

*(Examples of the various forms of control and ownership described in this study)*

#### REPRESENTATIVE TRUSTS

Clyde Navigation Trust	(1809)
Tyne Improvement Commission	(1850)
Mersey Dock and Harbour Board	(1857)
Metropolitan Water Board	(1902)
Port of London Authority	(1909)

#### COMMISSIONS (for Regulation, Supervision and Reorganization)

Electricity Commissioners	(1919-1948)
Coal Mines Reorganization Commission	(1930-1938)
Coal Commission	(1938-1946)
Sugar Commission	(1936)

---

Cotton Industry Board	(1939)
	(not operative)
Cotton Board	(1940-1948)

---

Iron and Steel Board	(1946-1948)
----------------------	-------------

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

### ADMINISTRATIVE AND RATE-FIXING TRIBUNALS ("Quasi-Judicial Tribunals")

The Railway Commissioners	(1873-1888)
Railway and Canal Commission	(1888-1949)
Railway Rates Tribunal	(1921-1947)
Traffic Commissioners	(1930)
Road Traffic Appeal Tribunal	(1933)
Transport Tribunal	(1948)

### DEVELOPMENT COUNCILS

Cotton Board	(1948)
Jewellery and Silverware Council	(1949)
Furniture Council	(1949)
Clothing Industry Council	(1950)

### FINANCE CORPORATIONS

#### *Pre-1945*

Agricultural Mortgage Corporation	(1928)
Railway Finance Corporation	(1935)
London Electric Transport Finance Corp.	(1935)

#### *Post-1945*

Film Finance Corporation	(1948)
--------------------------	--------

---

Finance Corporation for Industry (F.C.I.)	(1945)
Industrial & Commercial Finance Corporation (I.C.F.C.)	(1945)

### COMMERCIAL PUBLIC CORPORATIONS

#### I. DEPENDENT CORPORATIONS

#### *Pre-1945*

Forestry Commission	(1919)
---------------------	--------

## LIST OF ORGANIZATIONS

B.B.C.<sup>1</sup> (1927)

B.O.A.C. (1939)

### *Post-1945*

British European Airways (1946)

British South American Airways (1946-1949)  
(*now merged with B.O.A.C.*)

Overseas Food Corporation (1948)

Colonial Development Corporation (1948)

## 2. SELF-FINANCING CORPORATIONS

### *Pre-1945*

Central Electricity Board (1927-1948)

London Passenger Transport Board (1933-1947)

North Scotland Hydro-Electric Board (1943)

### *Post-1945*

Bank of England (1946)

National Coal Board (1947)

Raw Cotton Commission (1947)

Transport Commission (1948)

Railway Executive

Road Haulage Executive

Road Passenger Executive

London Transport Executive

Docks and Inland Waterways Executive

Hotels Executive

<sup>1</sup> The B.B.C., in fact, defies classification in these categories. It is not in receipt of a subsidy from the State (except for its overseas programmes, which are accounted for separately), but it is not to be described as wholly independent financially since both the amount of its licence fees (from which the bulk of its revenue accrues) and the proportion of the total of this revenue which is handed over to the B.B.C. after collection by the Post Office, are determined by Parliament. These factors, together with the wide powers of control given to the Government by the B.B.C.'s Charter and Licence Agreement, would indicate that it was "dependent". But, on the other hand, in practice the Government does not appear to interfere with the policy of the B.B.C. and certainly not with its day-to-day administration.



## FORMS OF PUBLIC CONTROL AND OWNERSHIP

British Electricity Authority	}	(1948)
14 Area Electricity Boards		
12 Area Gas Boards	}	(1949)
Gas Council		
New Towns Corporations		(1949)

## STATE-SPONSORED PRIVATE CORPORATIONS

Sugar Corporation	(1935)
Milk Marketing Board	(1933)
(and other Agricultural Marketing Boards)	
United Kingdom Commercial Corporation	(1940-1945)

## MIXED UNDERTAKINGS (Local Authorities and Private Companies)

Manchester Ship Canal	(1891)
Sheffield Joint Omnibus Committee	(1929)
(and other Joint Omnibus Committees)	
London and Home Counties Joint Electricity Authority	(1925-1948)
West Midlands Joint Electricity Authority	(1925-1948)
North-West Midlands Joint Electricity Authority	(1928-1948)

## APPENDIX 2

### SCHEMES OF ADMINISTRATION

#### THE PORT OF LONDON AUTHORITY (1909) (*Representative Trust*)

The Port of London Authority is a representative trust with a Board consisting of 28 members and a Chairman and Vice Chairman who are elected by the members, and who may come from outside. Eighteen of the members are elected by the following interests:

Payers of dues (these include goods merchants, shipping interests, owners of river craft)	17 members
Wharfingers	1 member

The remaining 10 members are appointed as follows:

London County Council (two of whom are members of the L.C.C.)	4 members
City Corporation	2 members
Ministry of Transport	2 members
Trinity House	1 member
Admiralty	1 member

The P.L.A. works through committees like a local authority and like the other major representative corporation in London, the Metropolitan Water Board. The Board meets once a month and has eight committees, including a General Purposes Committee, and the Chairman and Vice Chairman sit on all committees. The chief executive officer is the General Manager and there

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

are ten senior departmental officers. There are five groups of docks, each under a superintendent who is responsible to the General Manager.

The total staff of the Authority in 1949 was 8,000. (About 27,000 dockers working in the Port are the employees of the National Dock Labour Board.)

## BRITISH BROADCASTING CORPORATION (1927)

The B.B.C., created in 1927 by Royal Charter (the only Public Corporation to be so established, the remainder being created by Act of Parliament), has a Board of 7 Governors, including the Chairman and Vice Chairman, appointed by the King in Council (again a unique feature, the remainder of the Boards being appointed by a Minister of the Crown).

The Board exercises a general supervision over the Corporation and determines policy in conjunction with the Director-General, but the executive authority is in the hands of the Director-General and six Directors, who meet weekly as a board of management. The six Directors are each in charge of a sector of the Corporation's work, divided as follows: (1) Home Broadcasting, (2) The Spoken Word, (3) Administration, (4) Overseas Services, (5) Technical Services, (6) Television. Under the Director of Home Broadcasting come the Regional Controllers, the Controllers of Programmes (Third Programme, Television, etc.), and the Professional Heads (Music, Drama, etc.).

The total staff of the Corporation in 1949 was 11,600.

## THE CENTRAL ELECTRICITY BOARD (1927-48)

The C.E.B. consisted of a Chairman and five members. In contrast to the B.B.C., the Chairman took an executive role, but none of the members had specific functions. The Board (appointed by the Minister of Transport) was supervised by the Electricity Commissioners, who had certain over-riding powers over it.

## SCHEMES OF ADMINISTRATION

The function of the C.E.B. was to create a national transmission system (*grid*) and to control the generation of electricity and the supplying of distributors, without, however, owning generating stations. It constituted the grid on the basis of nine geographical Areas, and operated the grid and controlled the generating stations through seven Districts (in two cases two Areas were controlled by one District Office).

In 1939 a system for the national control of generation was introduced. Output was regulated from a central control point in London through seven Area Control Centres in the Districts, which in turn controlled the power stations in each Area, instructing the Power Station Superintendents on the starting and stopping of generation and the maximum load to be covered. This system was taken over unchanged by the British Electricity Authority.

Under the Chairman was a General Manager, who controlled the Chief Officers at Headquarters and the District Managers.

The total staff of the Board was in the region of 1,500.

### THE LONDON PASSENGER TRANSPORT BOARD (1933-48)

The London Passenger Transport Bill was introduced by the Minister of Transport in 1931 and was passed into law in 1933.

*Chairman and Board.* The Chairman and members of the Board were appointed by the Appointing Trustees comprising the following persons:

1. Chairman of the L.C.C.
2. Chairman of the Committee of London Clearing Bankers.
3. President of the Law Society.
4. President of the Institute of Chartered Accountants.
5. Representative of the London and Home Counties Traffic Advisory Committee.
6. The Chairman of the L.P.T.B.

There were no governmental powers of appointment or dismissal. The Act provided no means for the Government or any

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

other outside body to control policy. Lord Ashfield was Chairman and worked full time as chief executive officer, and Mr. John Cliff was responsible for labour relations, No other member had departmental duties.

*Qualifications.* Under the Act all members of the Board "shall be persons who have had wide experience, and have shown capacity in transport, industrial, commercial or financial matters or in the conduct of public affairs". Term of service was three to seven years.

*Duties.* Under the Act "it shall be the general duty of the Board so to exercise their powers under this Act as to secure the provision of an adequate and properly co-ordinated system of passenger transport for the London Passenger Transport Area". The Board were to conduct their undertaking in such manner, and to fix such fares and charges as to secure that the revenue should be sufficient to defray all charges which were required to be defrayed out of revenue.

The L.P.T.B. employed approximately 86,000 persons.

## BRITISH OVERSEAS AIRWAYS CORPORATION (1939)

The Board of the B.O.A.C. now consists of a Chairman, Deputy Chairman, one full-time member and seven part-time members. It covers air routes outside the U.K. and Europe, i.e. long-distance traffic, mainly with four-engined aircraft.

The B.O.A.C. has undergone many reorganizations since its creation. In the most recent change, a divisional organization has been superseded on the operational side, and the air fleet of the Corporation is now organized in four lines. On the commercial side the administrative unit is the station, and only in one case (North America) are the Station Managers grouped and controlled by an Area Manager.

The Corporation employs a total staff of 17,200, of whom 12,200 are in the United Kingdom and 5,000 overseas.

## SCHEMES OF ADMINISTRATION

### BRITISH EUROPEAN AIRWAYS (1946)

The Board consists of a Chairman, Deputy Chairman, Chief Executive and four members, including the Chairmen of the Scottish and Northern Ireland Advisory Councils. Only the Chairman and Deputy Chairman are full time.

The Corporation undertakes air services in the United Kingdom and Europe, i.e. short-distance traffic, with twin-engined aircraft.

Its operations are divided between British Services and Continental Services, each controlled by a General Manager. The former has Area Managers for the Scottish Division, the Isle of Man, the Channel Islands, Northern Ireland, and England and Wales. Continental Services has an Area Manager for each of the Continental countries to which there are air services, and also includes the London Area with its own Area Manager. In some countries the Area Manager may also run the Station. The Station is the administrative unit of the Corporation.

The Corporation employs a total staff of 6,900, of whom 6,200 are in the United Kingdom and 700 abroad.

### NATIONAL COAL BOARD (1947)

The Board consists of a Chairman, Deputy Chairman, four full-time and five part-time members. As from August 1st. 1951, no member of the Board had specialised or departmental duties. Previously four out of five full-time members had departmental duties.

The National Coal Board controls approximately 1,000 pits and a number of ancillary undertakings. The coal-fields of the country are covered by nine Divisional Boards, appointed by the National Board. These Divisions (with the exception of the South Eastern which controls only four pits) are sub-divided into a varying number of Areas, totalling forty-eight for the whole country. The Areas in turn are variously sub-divided according to their size and complexity into Sub-Areas and groups, which comprise a varying number of collieries. Each

## FORMS OF PUBLIC CONTROL AND OWNERSHIP

of these lower formations is controlled by a General Manager, Agent or Colliery Manager.

The total number of mine-workers is 695,000 and there are about 38,000 non-industrial staff in the industry.

### BRITISH TRANSPORT COMMISSION (1948)

At the head of the nationalized transport industry is the British Transport Commission, a small controlling and policy-making body consisting of a Chairman, Deputy Chairman, two full-time and two part-time members (and with a staff of 220) which owns the various undertakings, but has delegated functions to six Executives, which are at present:

*The Railway Executive*, consisting of a Chairman, six full-time and two part-time members. Each of the full-time members of the Board has functional responsibility for various departments. The Executive has split the country into six Regions each controlled by a Chief Regional Officer. The regional structures are based largely on those of the former main-line railway companies, i.e. they are split first functionally and then, within the particular departments, geographically into Divisions and/or Districts—the structure and the titles varying as between departments and as between regions.

The Executive employs a total staff of 618,000.

*London Transport Executive*, consisting of a Chairman, Deputy Chairman, three full-time and two part-time members, took over unchanged the organization of the London Passenger Transport Board. Each of the full-time members of the Board, including the Chairman, has functional responsibility for various departments. The Executive's operations are divided into Railways, Trams & Trolleybuses, Central Road Services and Country Buses & Coaches, each under an Operating Manager.

The Executive employs a total staff of 99,000.

*Road Haulage Executive* consists of a Chairman, three full-time members and two part-time members, the full-time members

## SCHEMES OF ADMINISTRATION

having functional responsibility. The industry is organized into eight geographical Divisions under Divisional Managers, which are sub-divided into a total of 31 districts, and below the districts groups are being established controlling a varying number of depots and between 100 and 200 vehicles. The total vehicle strength is about 40,000. There is also a ninth functional Division, called the Special Traffics (Pickfords) Division, which deals with such work as furniture removals, heavy traffic, meat. This Division covers the whole country and is divided into Areas.

The total staff of this Executive is 75,000.

*Docks and Inland Waterways Executive* consists of a Chairman, three full-time and two part-time members, the full-time members being responsible for docks, canals and staff respectively. The Executive controls, in the main, the former railway-owned docks (with the exception of the packet ports) chiefly concentrated in South Wales, the Humber and the Tees. It also controls waterways and about 1,300 carrying craft (with a total capacity of less than 50,000 tons). The docks are grouped and the waterways system split into four Divisions, each based on a major estuary.

The total staff of the Executive is in the region of 25,000, of whom 20,000 are employed in the docks and 5,000 on the waterways.

*Hotels Executive*, consisting of a Chairman (part-time), two full-time members and two part-time members, controls Refreshment Rooms, Restaurant Cars and Hotels. For the control of Hotels four geographical areas have been created, each under a Superintendent.

The total staff of this Executive is nearly 19,000.

*Road Passenger Executive*, consisting of a Chairman, one full-time and three part-time members, is not an executive authority but a small policy-making body with the duty of preparing regional schemes for passenger transport integration. The operation of the Commission's provincial bus services remains with the original companies, which employ a staff of 58,000.



The Executive itself has a staff of only sixteen.

The total staff of the nationalized Transport industry is in the region of 900,000.

### ELECTRICITY SUPPLY INDUSTRY

This industry, nationalized in 1948, has two main branches—generation and main-line transmission, which is the responsibility of the British Electricity Authority (Central Authority), and distribution, which is the responsibility of 14 statutory Area Boards.

The *Central Authority* consists of a Chairman, two Deputy Chairmen, one full-time and eight part-time members. Of the part-time members one is the Chairman of the North of Scotland Hydro-Electric Board (an independent authority) and four are Chairmen of the Area Boards, who serve in rotation. One Deputy Chairman is responsible for administration, one for operation, and the full-time member has functional responsibility for Labour Relations and Welfare.

It controls nearly 300 Power Stations and has taken over unchanged from the C.E.B. the National Grid system. It has two main responsibilities:

- (i) Control of the general policy of the whole industry,
- (ii) Generation and bulk supply to the Area Boards.

It has subdivided the generating side of the industry into fourteen Divisions, managed by Divisional Controllers, and corresponding geographically to the fourteen Area Boards. The basic unit is the power station under a Superintendent. In a few cases a grouping system has been introduced for power stations.

The *Area Boards* consist of a Chairman, Deputy Chairman (full-time), five or six part-time members, and the Chairman of the Area Consultative Committee as an ex-officio member. The members cannot be said to hold functional responsibilities.

## SCHEMES OF ADMINISTRATION

The Area Boards are autonomous corporations although the Central Authority has certain powers of supervision over them. They took over more than 550 distribution undertakings. Their Areas are organized into between four and nine Sub-Areas, and the Sub-Areas are broken down into a varying number of Districts.

The total staff of the industry is 167,000.

## GAS INDUSTRY

The Gas Industry, nationalized in 1949, is usually described as having a federal structure. The operation of the industry is in the hands of twelve autonomous Area Boards, who took over 1,000 undertakings.

The *Area Boards* consist of a Chairman and Deputy Chairman (full-time), in some cases one full-time member, and always five to six part-time members, including the Chairman of the Area Consultative Council. There is no common pattern of organization. Being fully independent, the Boards have devised their own subordinate structures, tending to follow the organizations they inherited where such existed. All Boards have split their Areas into primary divisions, calling them variously, Divisions, Groups or Districts. Some have made further sub-divisions called variously, Groups, Districts or Sub-Divisions. But it is only in nomenclature that they differ—there are wide variations in functions and structures and conditions.

The national body, the *Gas Council*, consists of a Chairman and Deputy Chairman (full-time) appointed by the Minister, and the twelve Chairmen of the Area Boards. It has certain functions laid down by statute (e.g. to issue Gas Stock, to advise the Minister, conduct research—though not exclusively—to co-ordinate training programmes) and otherwise undertake tasks delegated to it by the Area Boards. Thus all national negotiations with trade unions are conducted at the level of the Gas Council.

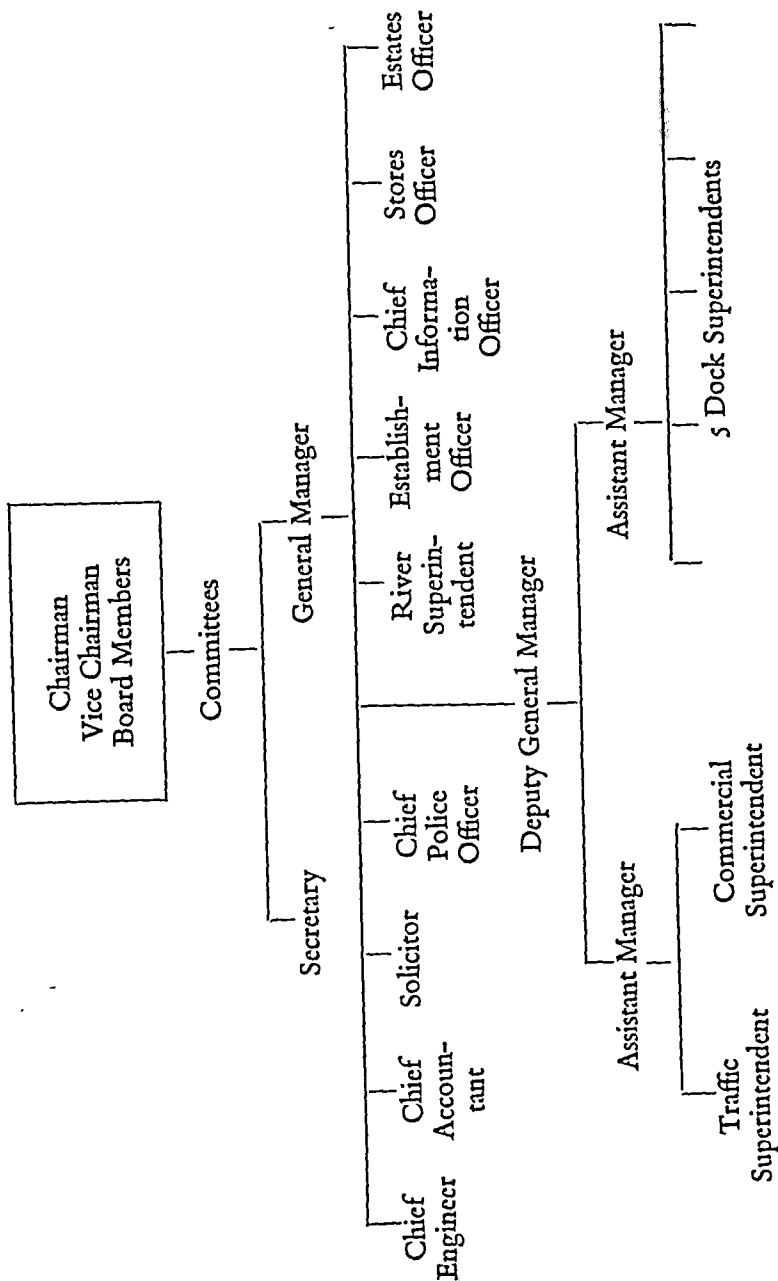
The total staff of the industry is about 135,000.

## LIST OF CHARTS

1. Port of London Authority.
2. Central Electricity Board.
3. London Passenger Transport Board and London Transport Executive.
4. British Overseas Airways Corporation.
5. British European Airways.
6. National Coal Board.
7. British Transport Commission.
8. British Electricity Authority.
9. An Area Electricity Board.<sup>1</sup>
10. North Thames Gas Board.<sup>1</sup>
11. Eastern Gas Board.<sup>1</sup>

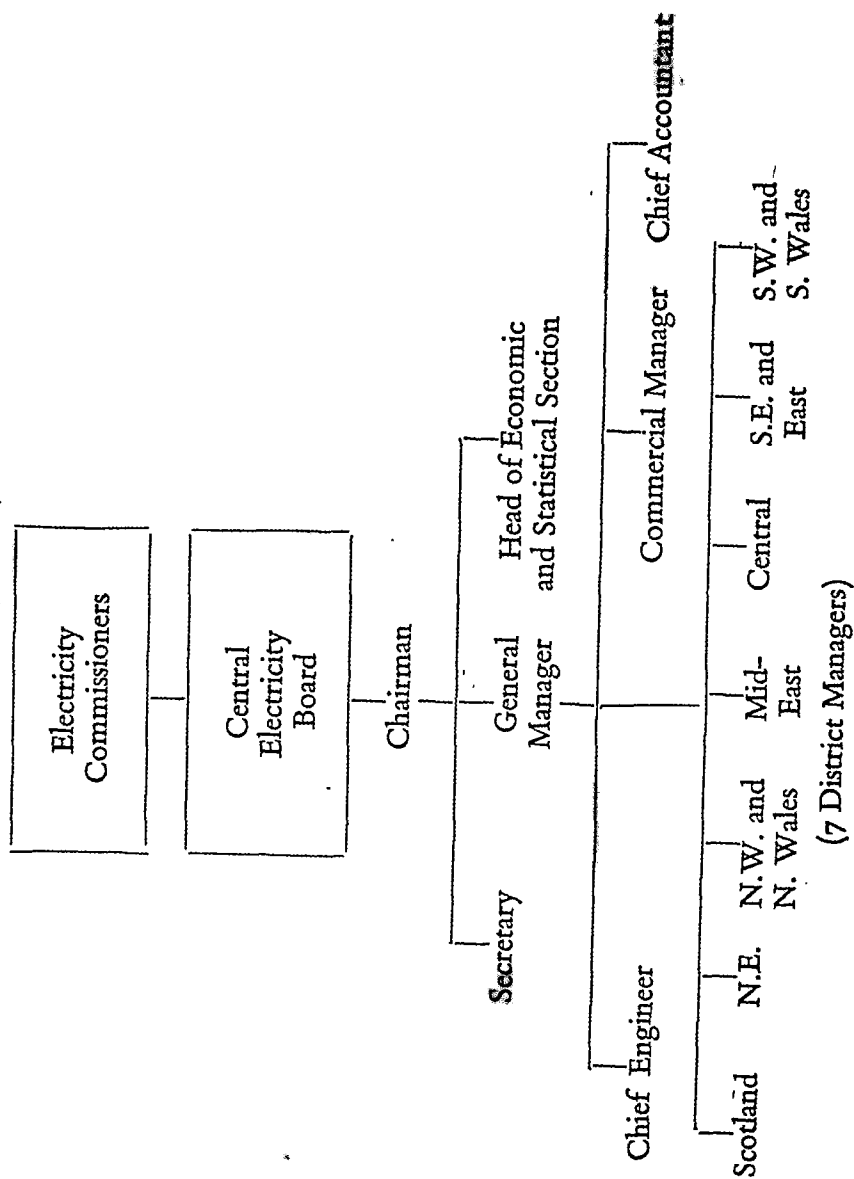
<sup>1</sup> There is a common pattern for all the fourteen Area Electricity Boards, but all Gas Boards are different. The two Gas Boards shown here are chosen as illustrating some of the most marked variations.

# PORT OF LONDON AUTHORITY (1949)



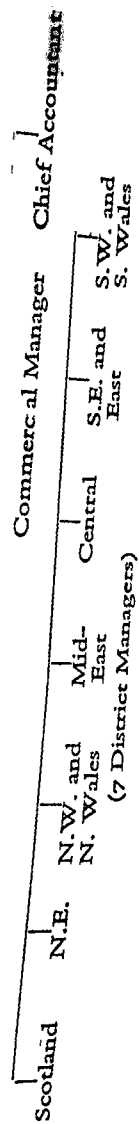
# CHART 2

## CENTRAL ELECTRICITY BOARD (1935)

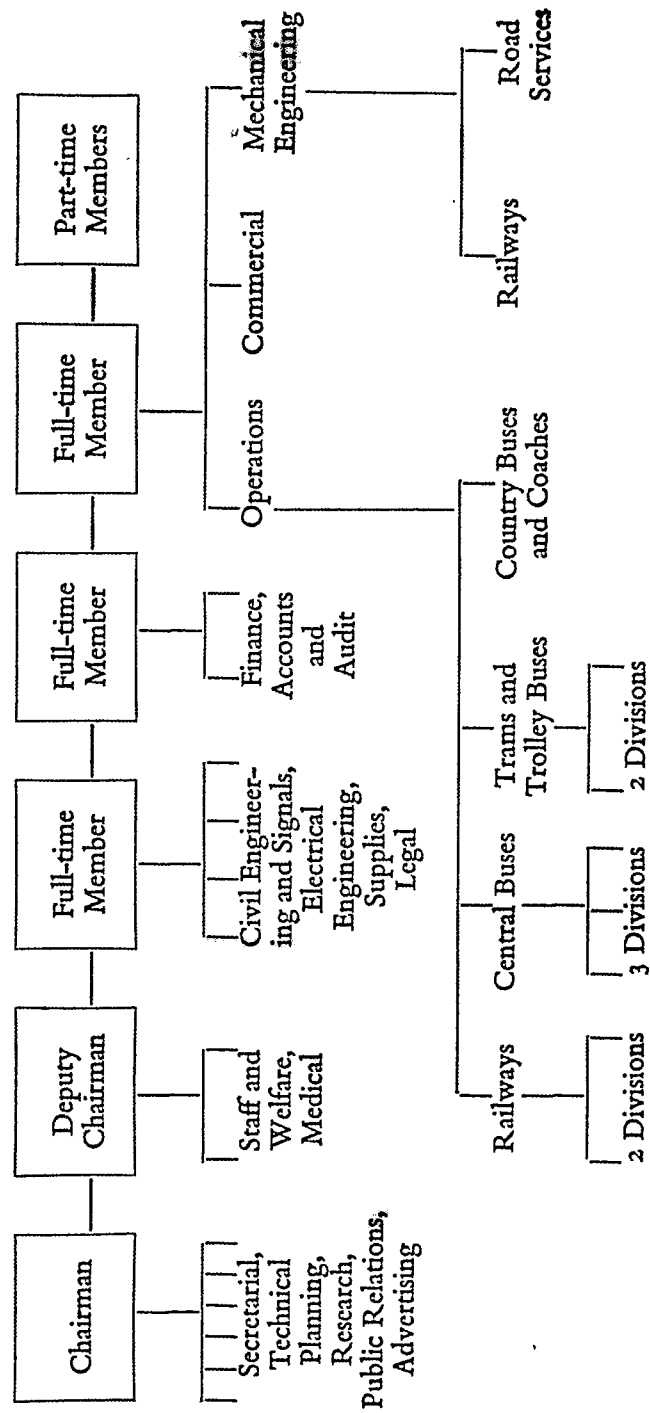


# CHART 3

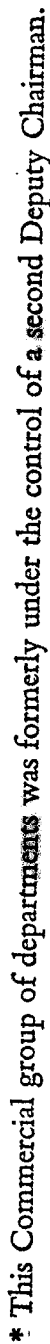
## DON PASSENGER TRANSPORT BOARD AND LONDON



# CHART 3 LONDON PASSENGER TRANSPORT BOARD AND LONDON TRANSPORT EXECUTIVE



BRITISH OVERSEAS AIRWAYS CORPORATION (1950)



# CHART 5

## BRITISH EUROPEAN AIRWAYS (1950)

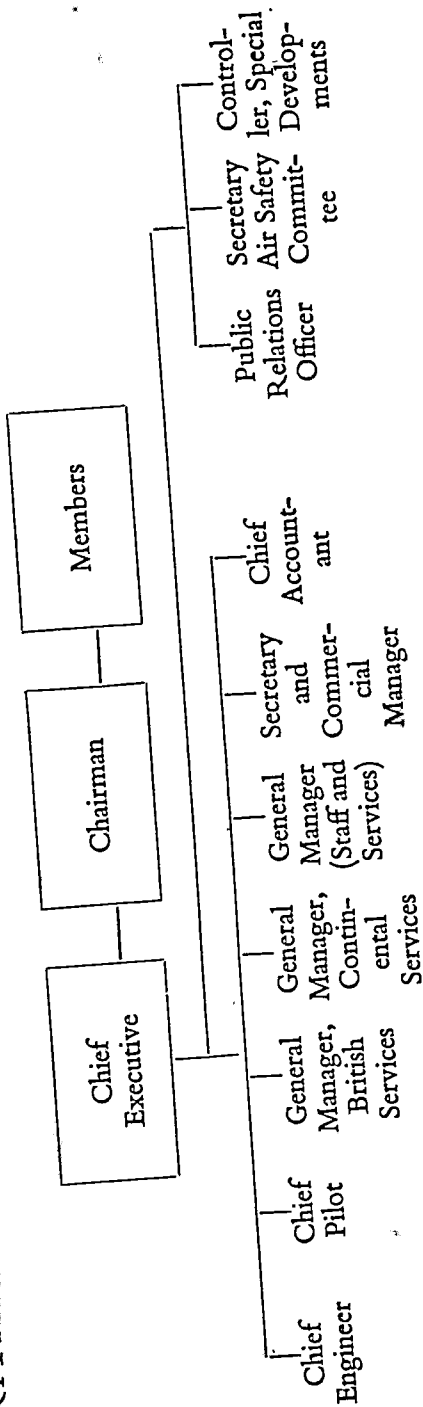
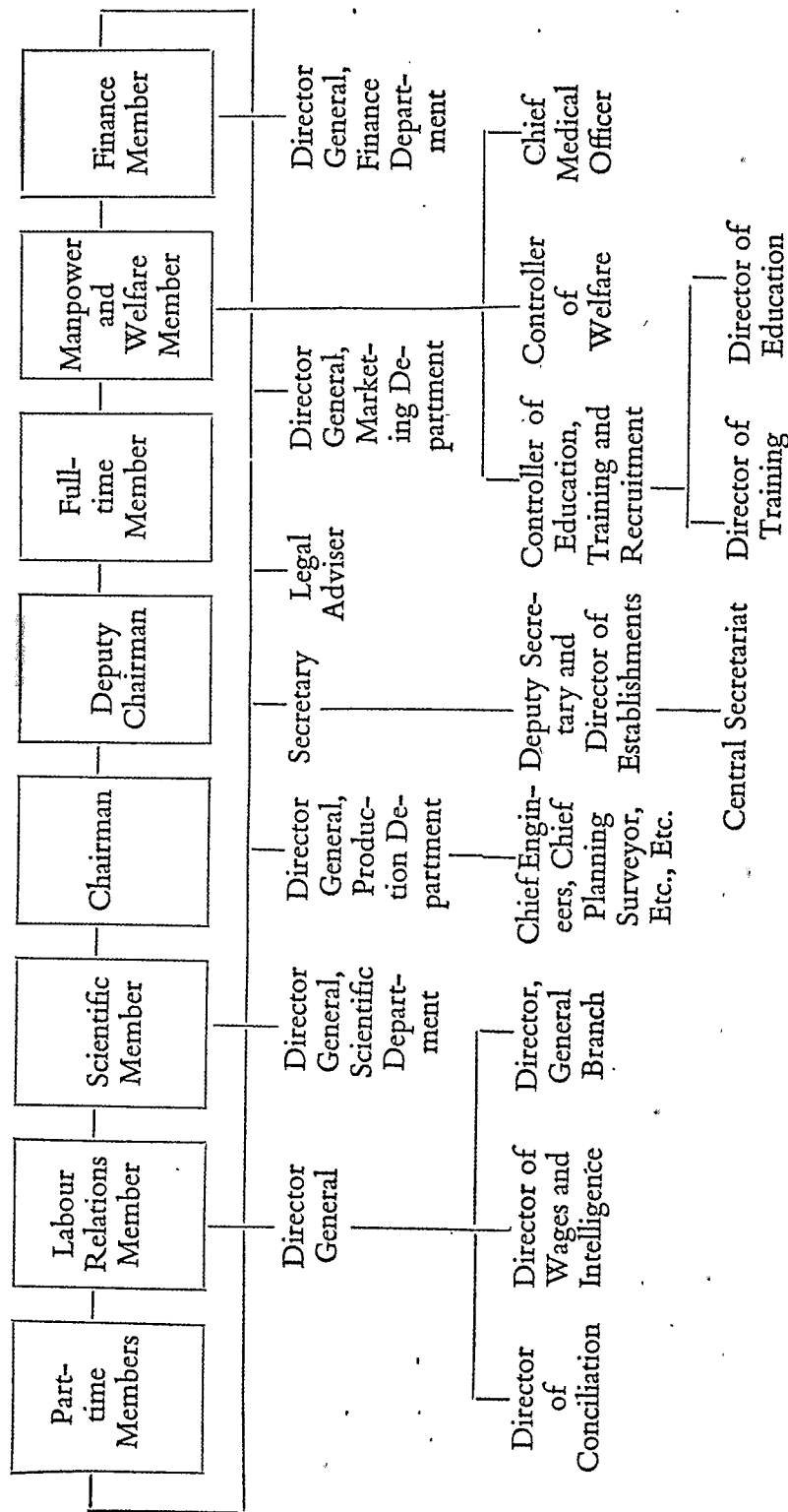




CHART 6

# NATIONAL COAL BOARD (1950)



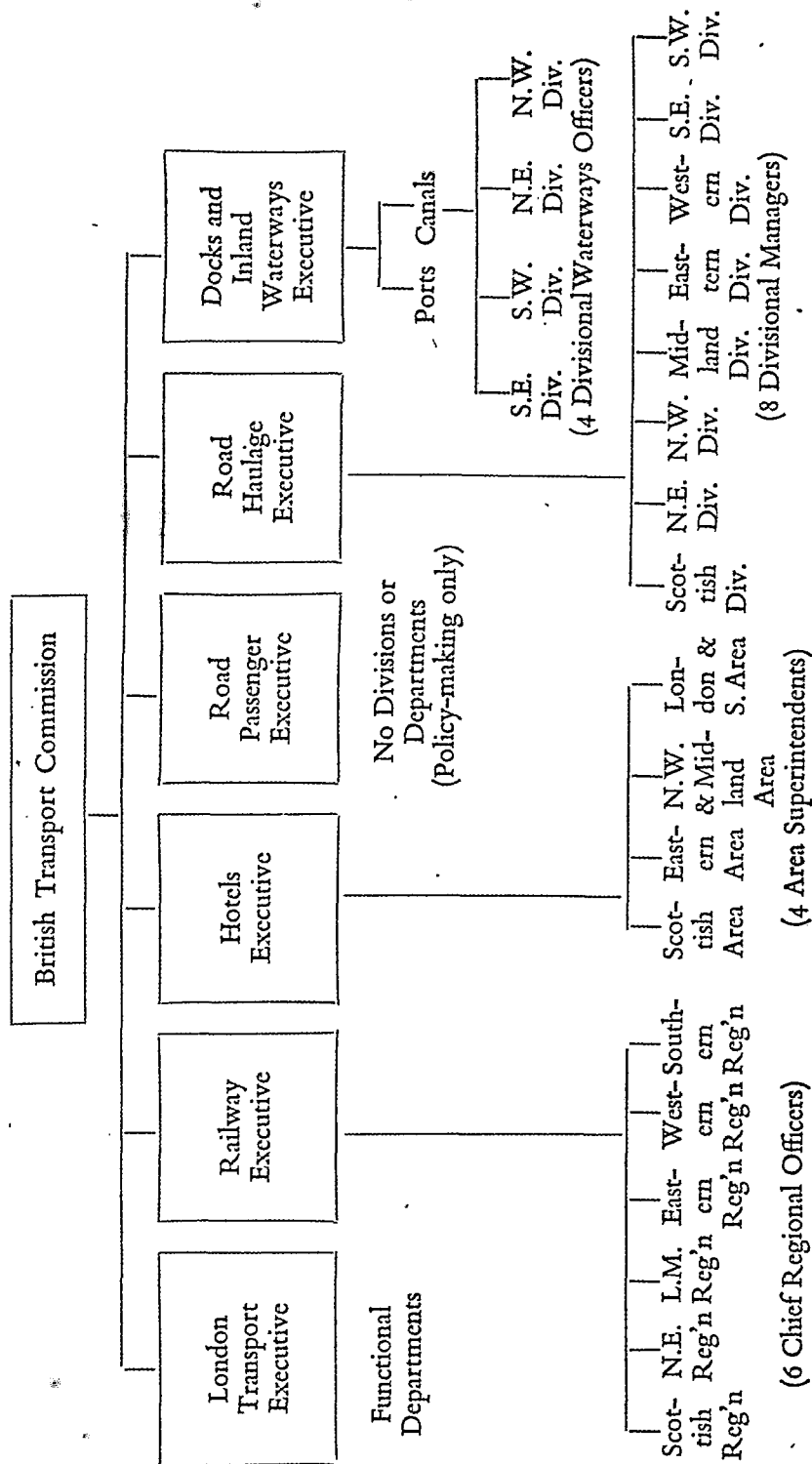
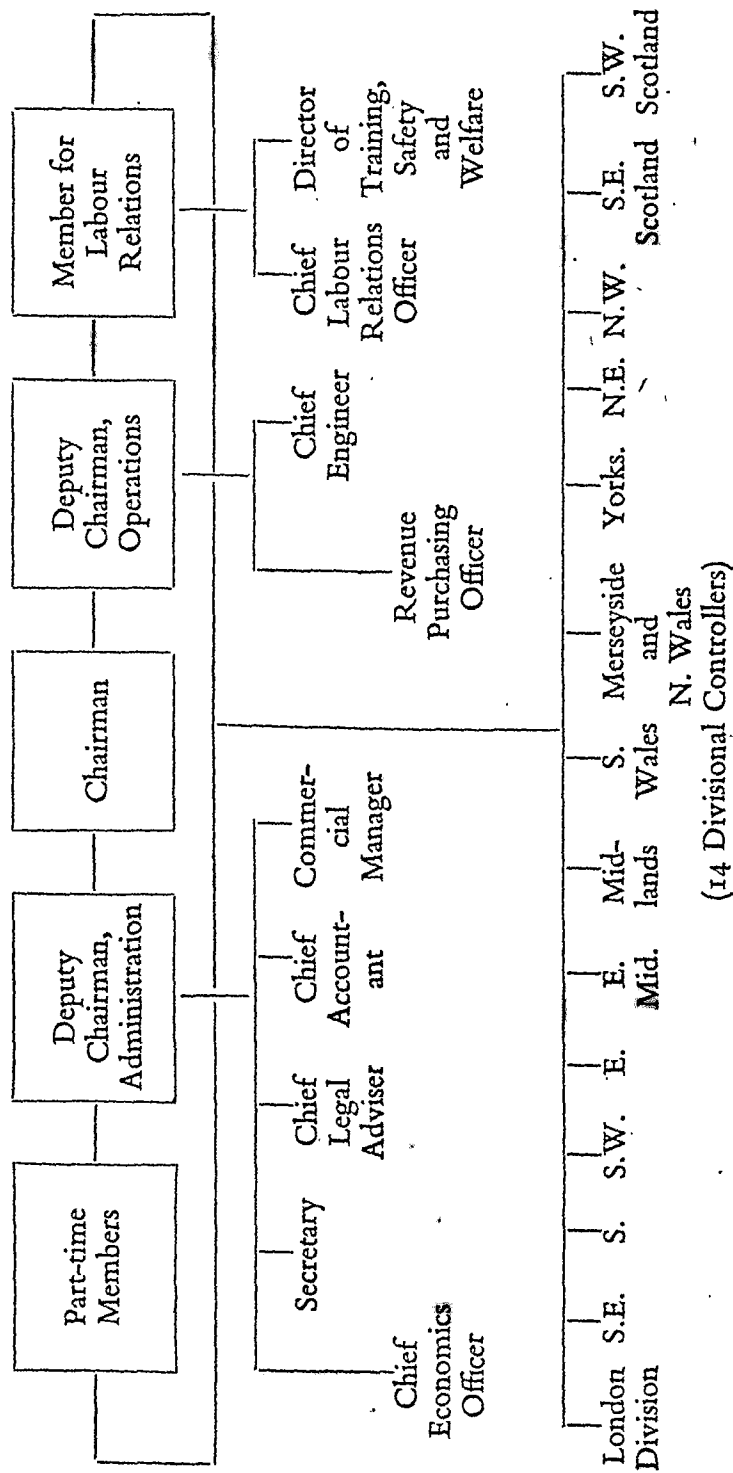


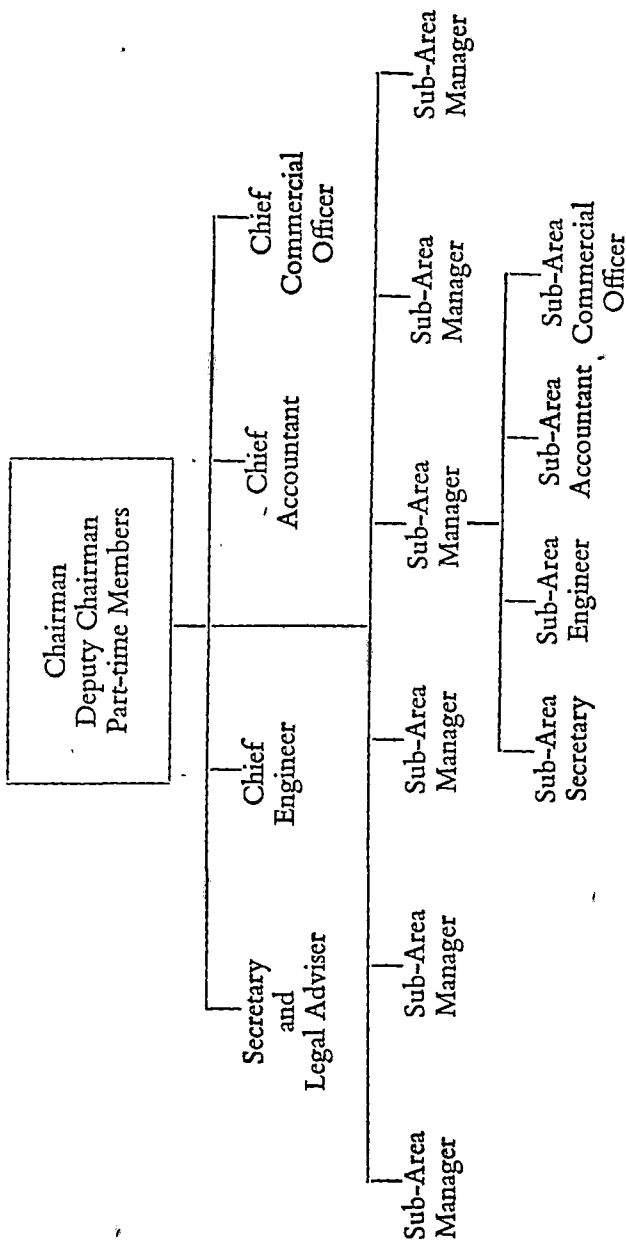
CHART 8

# BRITISH ELECTRICITY AUTHORITY (1950)

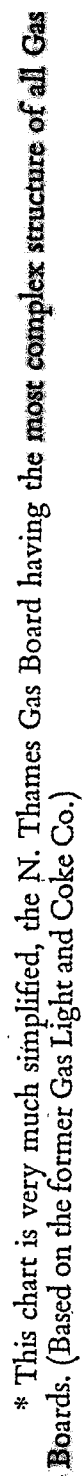


# CHART 9

## AN AREA ELECTRICITY BOARD (1950)

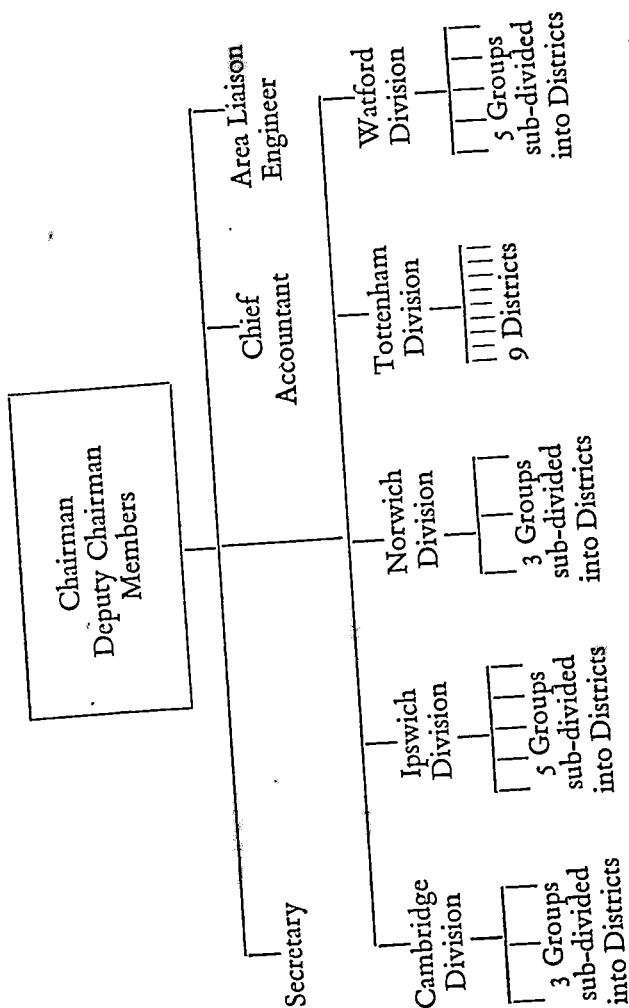


# NORTH THAMES GAS BOARD (1950)



# CHART II

## EASTERN GAS BOARD (1950)





## SELECTED BIBLIOGRAPHY

### GENERAL

- ACLAND COMMITTEE, *Final Report of Reconstruction Committee—Forestry Sub-committee*. Ministry of Reconstruction. Cmd. 8881 (1918)
- ACTON SOCIETY TRUST, *Nationalized Industry* (Series of pamphlets) (1951)
- CHESTER, D. N., *The Nationalized Industries* (1948)
- CIVIL SERVICE, *Royal Commission on the Civil Service. 4th Report*. Cmd. 7338 (1914)
- CLAPHAM, J. H., *Economic History of Modern Britain*
- DAVIES, ERNEST, *National Capitalism* (1939)
- DIMMOCK, M. E., *British Public Utilities and Developments* (1933)
- FABIAN SOCIETY, *Fabian Tracts and Fabian Research Series* (various)
- FARRER, T. H., *The State in its Relation to Trade* (1883)
- FINER, HERMAN, *Municipal Trading* (1941)
- GORDON, LINCOLN, *The Public Corporation in Great Britain* (1938)
- GREENE REPORT, *Report of the U.K. Sugar Industry Inquiry Committee*. Cmd. 4871 (1935)
- HALDANE COMMITTEE, *Ministry of Reconstruction—Report of the Machinery of Government Committees*. Cmd. 9230 (1918)
- HALÉVY, ÉLIE, *Le Radicalisme Philosophique* (1904)
- INDUSTRIAL WELFARE SOCIETY, *Joint Consultation: A Symposium* (1949)
- KEYNES, J. M., *The End of Laissez Faire* (1926)



## FORMS OF PUBLIC CONTROL AND OWNERSHIP

- LASKI, H. J. AND OTHERS, *Where Stands Socialism Today?* (1933)
- LEWIS, W. ARTHUR, *The Principles of Economic Planning* (1949)
- LIBERAL PARTY, *Britain's Industrial Future* (1929)
- MICHAEL AND WILL, *The Law Relating to Gas and Water*
- NUFFIELD COLLEGE, *Employment Policy and Organization of Industry after the War* (1943)
- O'BRIEN, T. H., *British Experiments in Public Ownership* (1937)
- PIGOU, A. C., *Economics of Welfare*
- ROBSON, W. A., LASKI, H. J., JENNINGS, W. IVOR (Ed.), *A Century of Municipal Progress* (1935)
- ROBSON, W. A. (Ed.), *Public Enterprise* (1937)
- SELF, SIR HENRY, *Public Accountability of the Corporation* (1947)
- SHAW, G. B. AND OTHERS, *Fabian Essays in Socialism* (1929)
- STREET, SIR ARTHUR, *Public Corporation in British Experience* (1947)
- TAWNEY, R. H., *The Acquisitive Society* (1922)
- WEBB, BEATRICE AND SIDNEY, *English Local Government*, Vol. IV  
*English Poor Law History*, Pt. II, Vol. I  
*The Story of the King's Highway*
- WICKWAR, W. H., *The Public Services* (1938)

## FUEL AND POWER

### Coal

- REID REPORT, *Report of the Ministry of Fuel and Power, Technical Advisory Committee*. Cmd. 6610 (1945)
- REID, SIR CHAS., *Articles in The Times*: 22nd-24th November, 1948
- SAMUEL COMMISSION *Report of the Royal Commission on the Coal Industry*. Cmd. 2600 (1926)
- SANKEY COMMISSION, *Reports and Minutes of Evidence*. Cmd. 359 (1919)
- TAWNEY, R. H., *The Nationalization of the Coal Industry* (1919)

## SELECTED BIBLIOGRAPHY

### *Electricity*

- MCGOWAN REPORT, *Ministry of Transport: Report of the Committee on Electricity Distribution* (1936)
- SELF, SIR HENRY, *National and Area Organization of Electricity Supply* (1948)
- WEIR COMMITTEE, *Ministry of Transport. Report of Committee appointed to Review the National Problem of Supply of Electrical Energy* (1925)
- WILLIAMSON REPORT, *Report of Committee appointed by the Board of Trade to consider question of Electrical Power Supply*. Cmd. 9062 (1918)

### *Gas*

- CHANTLER, PHILIP, *The British Gas Industry* (1938)
- HEYWORTH REPORT, *Ministry of Fuel and Power: Gas Industry: Report of the Committee of Inquiry*. Cmd. 6699 (1945)

## TRANSPORT

- MISSENDEN, SIR EUSTACE, *Anniversary Lecture, Institute of Transport* (November 1948)
- MORRISON, H. S., *Socialization and Transport* (1933)
- WALKER, G., *Road and Rail* (1949 ed.)

## B.B.C.

- CRAWFORD COMMITTEE, *Report of the Broadcasting Committee of 1925*. Cmd. 2599 (1926)
- SYKES REPORT, *Report of the Sykes Committee on Broadcasting*. Cmd. 1951 (1923)
- ULLSWATER REPORT, *Report of the Broadcasting Committee of 1935*. Cmd. 5091 (1936)

FORMS OF PUBLIC CONTROL AND OWNERSHIP

*Government Memorandum on the Ullswater Report. Cmd. 5207*  
(1936)

WIRELESS BROADCASTING AGREEMENT, *Wireless Broadcasting*  
*Licence Agreement. Cmd. 1822 (1923)*

# INDEX

- ACLAND COMMITTEE ON FORESTRY, 41 ff., 49
- Advisory Councils, 62
- Ashfield, Lord, 48, 118
- BENTHAM, JEREMY, 15
- Boards, composition and functions of, 56-8
- British Broadcasting Corporation, 43, 48, 52, 56, 116
  - „ Electricity Authority, 38, 52, 54, 55, 122-3
  - „ European Airways, 53, 119
  - „ Overseas Airways Corporation, 47, 53, 58, 118
  - „ Transport Commission, 52, 54, 120, 123
- CENTRAL ELECTRICITY BOARD, 48, 52, 56, 116-17
- Charging, basic price system of, 27
  - sliding scale method of, 26
- Civil Service, Royal Commission on, 41
  - qualifications, 46
- Coal Industry, 37 ff., 59
  - and strikes, 86
- Coal Mines Reorganization Commission (1930), 37
- Commission (see *Quasi-Judicial Commission*)
- Consumer Councils, 60, 101
- Crawford Committee on Broadcasting, 43
- Cripps, Sir Stafford, 65, 69
- DEVELOPMENT COUNCILS, 64 ff., 97, 105, 112
  - definition of, 21
- Department of Industrial & Scientific Research, 61, 63
  - „ of State, control by, 25, 28, 41 ff., 49, 50, 64, 96
- Duncan, Sir Andrew, 48
- ECCLESIASTICAL COMMISSIONERS, 40
- Electricity Commissioners, 30, 31, 35
- FABIANS, 24
- Finance Corporations, 78 ff., 98, 112
  - object of, 21
- Forestry Commission, 42, 48
- GAS, PRICE CONTROL OF, 26-7
  - „ Area Boards, 55, 57, 123
  - „ Council, 55, 123
- HALDANE COMMITTEE ON THE MACHINERY OF GOVERNMENT, REPORT OF, 41, 49
- IRON AND STEEL BOARD, 62, 76 ff.

# INDEX

- LONDON PASSENGER TRANSPORT BOARD, 47, 48, 52, 56, 117
- MANCHESTER SHIP CANAL, 30
- Marx, 11, 104
- McGowan, Report, 34, 36
- Metropolitan Water Board, 29
- Mill, J. S., 24
- Ministers, powers of, 58, 59
- Mixed Undertaking, 30, 114
- Monopolistic position, as ground of control, 25, 89, 114
- Morrison, Herbert: *Socialization & Transport*, 44 ff.
- NATIONAL COAL BOARD, 52, 54, 55, 119-120
- Nationalized Industries, 51-60  
— problems of, 85-94
- PARLIAMENT AND PUBLIC CONTROL, 49, 59, 96
- Philosophical Radicalism, 15-17
- Pick, Frank, 48
- Port of London Authority, 29, 52, 115-16
- Public Accountability, 45
- Public Corporations, 40-50  
— Dependent, 21, 48, 51  
— history, 40-5, 49-50  
— methods of appointment, 56  
— need for decentralization, 99  
— numbers employed, 52-3  
— objects and description of, 20, 45-6  
— relationship to government, 49-50, 98  
— Self-financing, 21, 49
- Public Utilities, definition of, 19, 25  
— dividend control in, 26 ff.  
— field of usefulness, 104  
— price control in, 26 ff.  
— re-emergence of competition, 27  
— types of regulation, 26
- QUASI-JUDICIAL & SUPERVISORY COMMISSIONS, 30-1, 91, 97, 111-12  
— definition of, 20
- RATE-FIXING TRIBUNALS, 20, 112
- Railway Rates Tribunals, 31 ff., 97
- Reid Report, 38
- Reith, Lord, 48
- Representative Trusts, 29 ff., 40, 56, 101  
— definition of, 20
- SCALE, PROBLEM OF, 33 ff., 36, 90, 91
- Smith, Adam, 15
- Sheffield Joint Omnibus Committee, 30
- Standard Revenue, 31
- Streat, Sir Raymond, 71
- Sugar Commission, 30  
„ Corporation, 47
- WEIR COMMITTEE ON ELECTRICITY SUPPLY, 44
- Williamson Committee and Report, 31
- Working Parties, 65-7

